

CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT

**CARITAS COMMUNITIES, INC. AND  
SUBSIDIARIES**

DECEMBER 31, 2009  
(WITH COMPARATIVE TOTALS FOR 2008)

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, 2009, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of Caritas Communities, Inc. and Subsidiaries as of and for the year ended December 31, 2008, were audited by other auditors whose report dated May 19, 2009, expressed an unqualified opinion on those statements. The prior-year summarized comparative information have been derived from Caritas Communities, Inc.'s 2008 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, 2008, 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, 2009, 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 basic financial statements taken as a whole of Caritas Communities, Inc. and Subsidiaries as of and for the year ended December 31, 2009, which are presented in the preceding section of this report. The supplemental information for the year ended December 31, 2009 presented hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Reznick Group, P.C.*

Bethesda, Maryland  
June 21, 2010

Caritas Communities, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2009 (with comparative totals for 2008)

ASSETS

	<u>2009</u>	<u>2008</u>
Current assets		
Cash and cash equivalents	\$ 991,985	\$ 630,475
Short-term investments	1,381,313	1,254,440
Tenant security deposits	210,871	208,691
Accounts receivable - (net of allowance for bad debts of \$21,624 and \$17,600, respectively)	142,505	98,124
Accounts receivable - other	186,000	-
Prepaid expenses and escrows	<u>228,959</u>	<u>208,535</u>
Total current assets	<u>3,141,633</u>	<u>2,400,265</u>
Property and equipment		
Land and site improvements	2,654,318	2,395,357
Buildings and improvements	35,112,316	32,020,959
Construction in progress	2,049,955	-
Furnishings and equipment	<u>941,408</u>	<u>876,699</u>
	40,757,997	35,293,015
Less: Accumulated depreciation	<u>(8,636,394)</u>	<u>(7,655,501)</u>
Net property and equipment	<u>32,121,603</u>	<u>27,637,514</u>
Other assets		
Reserve for replacements	1,267,613	1,107,095
Operating and debt service reserves	662,630	697,218
Long-term investments	87,276	-
Unamortized financing costs	223,016	248,269
Development costs	<u>169,626</u>	<u>432,706</u>
Total other assets	<u>2,410,161</u>	<u>2,485,288</u>
TOTAL ASSETS	<u>\$ 37,673,397</u>	<u>\$ 32,523,067</u>

(continued)

Caritas Communities, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

December 31, 2009 (with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
Current liabilities		
Current maturities of long-term debt	\$ 231,437	\$ 585,819
Accounts payable and accrued expenses	252,351	258,669
Accounts payable - construction	720,835	-
Accrued interest payable - first mortgage	2,450	-
Tenant security deposits	201,220	199,924
Prepaid rent	31,062	43,223
	<u>1,439,355</u>	<u>1,087,635</u>
Total current liabilities		
Long-term debt		
Mortgages payable, less current maturities	26,320,432	20,882,872
Bonds payable, less current maturities	4,675,000	4,790,000
	<u>30,995,432</u>	<u>25,672,872</u>
Total long-term debt		
Other liabilities		
Deferred interest	1,615,181	1,315,319
Deferred revenue	11,433	16,165
	<u>1,626,614</u>	<u>1,331,484</u>
Total other liabilities		
Total liabilities	<u>34,061,401</u>	<u>28,091,991</u>
Noncontrolling interest	3,514,973	3,892,733
Net assets		
Unrestricted net assets		
Undesignated	(192,081)	277,717
Temporarily restricted	289,104	260,626
	<u>97,023</u>	<u>538,343</u>
Total net assets and noncontrolling interest		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,673,397</u>	<u>\$ 32,523,067</u>

See notes to financial statements

Caritas Communities, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended December 31, 2009 (with comparative totals for 2008)

	2009			2008
	Unrestricted	Temporarily restricted	Total	Total
Revenue, gains and other support				
Net rents	\$ 4,265,552	\$ -	\$ 4,265,552	\$ 4,152,824
Annual dinner	214,825	-	214,825	243,150
Contributions	24,745	-	24,745	16,990
Foundation grants	88,825	539,902	628,727	489,584
Investment income	38,142	-	38,142	101,637
Miscellaneous income (loss)	14,769	-	14,769	7,129
Realized (losses) and unrealized investment gains	-	-	-	(542,567)
Net assets released from restrictions: Satisfaction of restrictions	511,424	(511,424)	-	-
Total revenue, gains and other support	5,158,282	28,478	5,186,760	4,468,747
Expenses				
Program services	5,261,974	-	5,261,974	5,236,684
Supporting services:				
Management and general	575,136	-	575,136	546,550
Fundraising	168,730	-	168,730	162,714
Total expenses	6,005,840	-	6,005,840	5,945,948
Changes in net assets before noncontrolling interest	(847,558)	28,478	(819,080)	(1,477,201)
Noncontrolling interest	377,760	-	377,760	393,134
Change in net assets	(469,798)	28,478	(441,320)	(1,084,067)
Net assets, beginning of year	277,717	260,626	538,343	1,622,410
Net assets, end of year	\$ (192,081)	\$ 289,104	\$ 97,023	\$ 538,343

See notes to financial statements

Caritas Communities, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2009 (with comparative totals for 2008)

	2009				2008
	Program services	Management and general	Fundraising	Total	Total
Compensation	\$ 739,246	\$ 247,793	\$ 47,159	\$ 1,034,198	\$ 1,112,373
Payroll taxes	91,615	30,709	5,844	128,168	119,539
Employee benefits	133,993	44,913	8,548	187,454	182,521
Insurance	102,247	32,662	7,101	142,010	166,963
Automobile	32,400	10,350	2,250	45,000	40,512
Rent	118,111	11,585	2,519	132,215	128,330
Office and telephone	52,751	16,850	3,663	73,264	79,758
Legal and accounting	128,626	32,156	-	160,782	157,586
Meetings	-	3,068	-	3,068	8,663
Dinner costs	-	-	81,643	81,643	83,585
Other costs	94,910	145,050	10,003	249,963	240,030
Social services	109,622	-	-	109,622	71,566
Undeveloped properties	-	-	-	-	37,906
Utilities	643,758	-	-	643,758	687,525
Real estate tax	169,528	-	-	169,528	168,173
Depreciation and amortization	1,095,424	-	-	1,095,424	1,077,662
Repairs and maintenance	552,661	-	-	552,661	569,842
On-site manager's salary and apartment	318,331	-	-	318,331	298,642
Interest	728,751	-	-	728,751	710,985
Impairment loss	150,000	-	-	150,000	0
Grant expense	-	-	-	-	3,787
	<u>\$ 5,261,974</u>	<u>\$ 575,136</u>	<u>\$ 168,730</u>	<u>\$ 6,005,840</u>	<u>\$ 5,945,948</u>

See notes to financial statements



Caritas Communities, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31, 2009 (with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ (441,320)	\$ (1,084,067)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	1,095,424	1,077,662
Non-controlling interest	(377,760)	(393,134)
Deferred interest on mortgages	299,862	202,045
Impairment loss	150,000	-
Realized loss on investments	-	542,567
Increase (decrease) in allowance for bad debt	4,024	(6,200)
Changes in:		
Accounts receivable - tenant	(48,405)	7,776
Prepaid expenses and escrows	(20,424)	64,972
Deferred revenue	(4,732)	(4,730)
Tenant security deposits, net	(884)	(1,580)
Accounts payable, accrued expenses and prepaid rent	<u>(2,346)</u>	<u>58,652</u>
Net cash provided by operating activities	<u>653,439</u>	<u>463,963</u>
Cash flows from investing activities		
Funding of reserve for replacements and interest thereon, net of withdrawals	(160,518)	(74,476)
Funding of operating and debt reserves and interest thereon, net of withdrawals	34,588	(37,004)
Purchase of short-term investments	(126,873)	(1,298,522)
Purchase of long-term investments	(87,276)	-
Sale of short-term investments	-	1,487,955
Development costs paid	(1,307,615)	(5,705)
Purchase of property and equipment	<u>(3,610,303)</u>	<u>(1,413,391)</u>
Net cash used in investing activities	<u>(5,257,997)</u>	<u>(1,341,143)</u>
Cash flows from financing activities		
Payments on mortgages and construction loans	(602,555)	(474,522)
Repayment of mortgage and note principal	(112,078)	(87,070)
Repayment of bond principal	(105,000)	(105,000)
Mortgage and notes proceeds	5,787,811	1,190,461
Financing costs paid	<u>(2,110)</u>	<u>(4,675)</u>
Net cash provided by financing activities	<u>4,966,068</u>	<u>519,194</u>
Net increase (decrease) in cash and cash equivalents	<u>361,510</u>	<u>(357,986)</u>
Cash and cash equivalents, beginning of year	<u>630,475</u>	<u>988,461</u>
Cash and cash equivalents, end of year	<u>\$ 991,985</u>	<u>\$ 630,475</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amount capitalized	<u>\$ 426,439</u>	<u>\$ 508,940</u>

Significant noncash investing and financing activities:

As of December 31, 2009, fixed asset additions included in accounts payable totaled \$29,342.

As of December 31, 2009, fixed asset additions included in accounts payable - construction totaled \$720,835.

During 2009, development costs of \$1,963,307 were reclassified to fixed assets.

As a result of the involuntary conversion, accounts receivable increased by \$186,000, property and equipment decreased by \$273,168 and accumulated depreciation decreased by \$87,168.

See notes to financial statements

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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 15% of Caritas' support for the year ended December 31, 2009 came from its annual dinner, fundraising events, contributions and grants.

**Parkview Housing, Inc.:** 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.

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, Inc. and Parkview Limited Partnership, 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 and One Lenox Limited Partnership in which affiliates serve as the General Partner. The effect of all significant inter-company transactions have been eliminated in consolidation.

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

ASC 810-20

Caritas accounts for subsidiary partnerships in accordance with the Financial Accounting Standards Board's (FASB's) Emerging Issues Task Force (EITF) Issue No. 04-05, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*. Effective July 1, 2009, this guidance was codified into 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 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 a contra-equity account is established for the non-controlling members' interest.

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

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

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, 2008 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 2009.

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.

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

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.

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 for the year ended December 31, 2009 was \$25,798. Accumulated amortization as of December 31, 2009 was \$203,077.

Estimated annual amortization expense for each of the ensuing years through December 31, 2014 is as follows:

December 31, 2010	\$ 25,051
2011	24,390
2012	24,391
2013	24,392
2014	23,536

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, 2009 was \$1,565. Accumulated amortization as of December 31, 2009 was \$8,894. Estimated amortization expense for each of the ensuing years through December 31, 2014 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.

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

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.

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, 2009 and 2008 include money market funds designated by management as investments. These are considered to be Level 1 investments.

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

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 \$21,624 and \$17,600 at December 31, 2009 and 2008, respectively.

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 2009, 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.

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

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. As of December 31, 2009, an impairment loss of \$150,000 was recognized (see note 12).

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 the Commonwealth of Massachusetts Department of Housing and Community Development (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.

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.



Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

Recent Accounting Pronouncement

In June 2009, the FASB issued the Accounting Standards Codification (Codification). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the Organization's accounting policies. The adoption of the Codification did not have a material impact on the Organization's financial position or results of operations.

In May 2009, the FASB issued guidance regarding subsequent events, which was subsequently updated in February 2010. This guidance established general standards of accounting for and disclosure of events that occur after the statement of financial position date but before financial statements are issued or are available to be issued. In particular, this guidance sets forth the period after the statement of financial position date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the statement of financial position date. This guidance was effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009, and was therefore adopted by the Organization for the year ended December 31, 2009. The adoption did not have a significant impact on the subsequent events that the Organization reports, either through recognition or disclosure, in the financial statements. In February 2010, the FASB amended its guidance on subsequent events for entities that are not SEC filers to disclose the date that the financial statements were available to be issued. This amendment was effective immediately. See note 13 regarding the date through which subsequent events have been evaluated.

NOTE 3 - 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, 2009. 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.

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

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 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' federal tax status as pass-through entities are based on its legal status as partnerships. Accordingly, the partnerships are not required to take any tax positions in order to qualify as pass-through entities. The partnerships 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 have no other tax positions which much be considered for disclosure.

The Organization's subsidiaries, Parkview Housing, Inc., 17 Rooms Corporation and One Lenox Street Corporation, (the wholly owned subsidiaries) 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.

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

NOTE 4 - LONG-TERM DEBT

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

	<u>2009</u>	<u>2008</u>
Caritas Communities, Inc.		
Massachusetts Housing Partnership Fund Massachusetts Tax-Exempt Revenue Bonds Interest rate - 1.6% to 5.043% Monthly payments - \$26,855 for principal and interest Final payments - July 15, 2022 Secured by mortgages on various properties with primary rights	\$ 4,790,000	\$ 4,895,000
A Quasi Governmental Agency Interest rate - None Final payments - June 28, 2018 to March 16, 2020 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 - None Final payments - Due July 31, 2030 Secured by mortgages on five properties	357,500	357,500

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
Department of Housing and Community Development (DHCD) Interest rate - None Monthly payments - None Final payment - October 2, 2025 Secured by real estate in Everett with subordinate rights	499,000	499,000
DHCD Private Housing Interest rate - None Monthly payments - None Final payment - November 18, 2029 Secured by real estate in Arlington with subordinate rights	275,000	275,000
CEDAC Interest rate - None Monthly payments - None Final payments - Principal is due November 17, 2019 to January 5, 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 payments - Principal is due March 7, 2032 Secured by real estate in Wakefield with subordinate rights	500,000	500,000

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
DHCD - Housing Stabilization Fund	750,000	750,000
Interest rate - None		
Monthly payments - None		
Final payments - Principal is due 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 payments - Principal is due March 7, 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 - All principal and accrued interest thereon will be due 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 17, 2024		
Secured by real estate in Brookline with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
Affordable Housing Trust Fund	316,000	316,000
Interest rate - None		
Monthly payments - None		
Final payments - Principal is due March 18, 2033		
Secured by real estate in Brookline with subordinate rights		
DHCD - Housing Stabilization Fund	465,000	465,000
Interest rate - 5% compounded annually		
Monthly payments - None		
Final payments - All principal and accrued interest thereon will be due December 27, 2027		
Secured by real estate in Salem with subordinate rights		
DHCD - Housing Stabilization Fund	750,000	750,000
Interest rate - None		
Monthly payments - None		
Final payments - Principal is due October 20, 2054		
Secured by real estate in Quincy with primary rights		
CEDAC - Housing Innovation Fund	640,000	640,000
Interest rate - None		
Monthly payments - Subject to cash flow		
Final payments - Principal is due October 20, 2034		
Secured by real estate in Quincy with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
City of Quincy	100,000	100,000
Interest rate - None		
Monthly payments - None		
Final payments - Principal is due October 1, 2034		
Secured by real estate in Quincy with subordinate rights		
 A Massachusetts Savings Bank	 361,716	 371,780
Interest rate - 7.5% to March 2012 and then based upon the Bank's Commercial Lending Rate thereafter		
Monthly payment - \$3,121		
Final payment - March 7, 2027		
Secured by real estate in Wakefield with primary rights		
 Citizens Bank	 441,366	 452,549
Interest rate - 4.75%		
Monthly payment - \$2,728		
Final payment - June 11, 2031		
Secured by real estate in Quincy with primary rights		
 Massachusetts Housing Investment Corporation - 1st Mortgage	 328,857	 333,451
Interest rate - 7.09%		
Monthly payments - \$1,980		
Final payment - July 17, 2024		
Secured by real estate in Brookline with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
Danvers Savings Bank	722,273	739,431
Interest rate - 6.50%		
Monthly payment - \$5,448		
Final payment - October 1, 2014		
Secured by real estate in Salem with primary rights		
 Bank of Canton	 631,707	 646,540
Interest rate - 6.85% to 2013 and index rate thereafter		
Monthly payment - \$4,925		
Final payment - February, 2018		
Secured by real estate in Chelsea with primary rights		
 CEDAC - Housing Innovation Fund	 728,000	 -
Interest rate - None		
Monthly payments - None		
Final payment - September, 2039		
Secured by real estate in Melrose with subordinate rights and subject to annual cash flow requirements		
 DHCD - CATNHP Loan	 650,000	 -
Interest rate - None		
Monthly payments - None		
Final payments - September, 2039		
Secured by real estate in Melrose with subordinate rights		



Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
DHCD - Housing Stabilization Fund Loan	113,825	-
Interest rate - None		
Monthly payments - None		
Final payments - September, 2059		
Secured by real estate in Melrose with subordinate rights		
 North Suburban Consortium HOME Loan	 736,633	 -
Interest rate - None		
Monthly payments - None		
Final payment - September, 2039		
Secured by real estate in Melrose with subordinate rights and \$38,637 withheld until completion. Subject to annual cash flow requirements		
 CEDAC - Acquisition Loan	 -	 375,000
Interest rate - 8%		
Monthly payments - Interest only, quarterly		
Final payment - August 2009		
Secured by real estate in Boston with primary rights		
 City of Boston - DND Loan	 -	 227,555
Interest rate - 5%		
Monthly payments - None		
Final payment - September 2010		
Secured by real estate in Boston with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
City of Boston - Leading the Way Loan	877,431	-
Interest rate - 1% compounded		
Monthly payments - None		
Final payment - January, 2040		
Secured by real estate in Boston with subordinate rights and subject to annual cash flow requirements		
DHCD - CATNHP Loan	375,000	-
Interest rate - None		
Monthly payments - None		
Final payments - January, 2040		
Secured by real estate in Boston with subordinate rights		
DHCD - Housing Stabilization Fund Loan	374,007	-
Interest rate - None		
Monthly payments - None		
Final payments - January, 2060		
Secured by real estate in Boston with subordinate rights		
Stoneham Bank	50,000	-
Interest rate - 6%		
Construction loan - to convert to permanent loan on February 10, 2010		
Monthly payments - \$325		
Final payment - February, 2020		
Secured by real estate in Melrose with primary rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
Parkview Housing, Inc.		
CEDAC - Housing Innovation Fund	350,000	350,000
Interest rate - None		
Monthly payments - None		
Final payment - July, 2033		
Secured by real estate in Boston with subordinate rights		
CDBG - LEND Loan	200,000	200,000
Interest rate - 2%		
Monthly payments - None		
Final payment - January, 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 payment - December, 2021		
Secured by real estate in Boston with subordinate rights		
Dudley Inn Limited Partnership		
Massachusetts Property and Casualty Insurance Co.	363,895	374,051
Interest rate - 7%		
Monthly payments - \$3,032		
Final payment - June, 2017		
Secured by real estate in Boston with primary rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
City of Boston - Home Program	480,000	480,000
Interest rate - 6.4% compounded annually		
Monthly payments - None		
Final payment - January, 2032		
Secured by real estate in Boston with subordinate rights		
 CEDAC - Housing Innovation Fund	 500,000	 500,000
Interest rate - None		
Monthly payments - None		
Final payment - December, 2030		
Secured by real estate in Boston with subordinate rights		
 Massachusetts Housing Partnership Fund Board - HSF Loan	 600,000	 600,000
Interest rate - None		
Monthly payments - None		
Final payment - December, 2030 (with 10 year extension option)		
Secured by real estate in Boston with subordinate rights		
 One Lenox Street Corporation		
MHIC - Permanent Loan	47,515	48,445
Interest rate - 6.5%		
Monthly payments - \$338		
Final payment - February, 2032		
Secured by real estate in Boston with primary rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
City of Boston - Home Loan	559,516	559,516
Interest rate - 4.83% compounded annually		
Monthly payments - None, except cash flow		
Final payment - November, 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, 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, 2055 (with 10 year extension option)		
Secured by real estate in Boston 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 payments - October, 2036		
Secured by leasehold in Bedford with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
CEDAC - Housing Innovation Loan	900,000	900,000
Interest rate - None		
Monthly payments - None, except cash flow		
Final payments - October, 2036		
Secured by leasehold in Bedford with subordinate rights		
DHCD - HSF Loan	900,000	900,000
Interest rate - None		
Monthly payments - None		
Final payments - October, 2056		
Secured by leasehold in Bedford with subordinate rights		
Brookline Bank	463,198	506,358
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 payments - October, 2036		
Secured by leasehold in Bedford with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
Sean Brook House, Inc.		
Citizens Bank construction/permanent loan	435,000	-
Interest rate - One month LIBOR Advantage plus 3.5% not to exceed 7%, current rate: 3.73%		
Monthly payment - interest only until permanent closing		
Final payment - December, 2025		
Secured by real estate in New Bedford with subordinate rights		
RBS Citizens / FHLB Subsidy Note	70,000	-
Interest rate - None		
Monthly payments - None		
Subsidy expiration - May, 2025		
Secured by real estate in New Bedford with subordinate rights		
MHPF Housing Stabilization Fund	103,805	-
Interest rate - None		
Monthly payments - None		
Final payment - June, 2060		
Secured by real estate in New Bedford with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

	<u>2009</u>	<u>2008</u>
CEDAC Housing Innovation Fund	1,274,110	-
Interest rate - None		
Monthly payments - None		
Final payment - June, 2040		
Secured by real estate in New Bedford with subordinate rights and subject to annual cash flow requirements		
	<u>31,226,869</u>	<u>26,258,691</u>
Less: Current maturities included in current liabilities	<u>(231,437)</u>	<u>(585,819)</u>
	<u>\$ 30,995,432</u>	<u>\$ 25,672,872</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, 2009 and 2008 was \$728,751 and \$710,985, respectively, of which \$299,862 and \$202,045 was deferred. During the years ended December 31, 2009 and 2008, interest capitalized totaled \$35,028 and \$0, respectively.

Annual maturities of debt 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 ended December 31, 2010	\$ 115,000	\$ 116,437	\$ 231,437
2011	120,000	123,974	243,974
2012	125,000	131,853	256,853
2013	130,000	140,404	270,404
2014	140,000	763,314	903,314
Thereafter	<u>4,160,000</u>	<u>25,160,887</u>	<u>29,320,887</u>
	<u>\$ 4,790,000</u>	<u>\$ 26,436,869</u>	<u>\$ 31,226,869</u>



Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

NOTE 5 - INVESTMENTS

Cost and market value of short-term investments at December 31, 2009 and 2008 are as follows:

	<u>Cost</u>	<u>Gross unrealized</u>	<u>Market value</u>
December 31, 2008			
Certificate of deposit	\$ -	\$ -	\$ -
Money market fund	<u>1,254,440</u>	<u>-</u>	<u>1,254,440</u>
	<u>\$ 1,254,440</u>	<u>\$ -</u>	<u>\$ 1,254,440</u>
December 31, 2009			
Certificate of deposit (bears interest at 2.25%, matured in January 2010)	\$ 121,800	\$ -	\$ 121,800
Money market fund	<u>1,259,513</u>	<u>-</u>	<u>1,259,513</u>
	<u>\$ 1,381,313</u>	<u>\$ -</u>	<u>\$ 1,381,313</u>

In November 2008, the invested funds were transferred from an equity fund to a money market fund and the resulting net loss on investment securities was \$542,567. The realized investment loss on securities of \$542,567 has been reported in the consolidated statement of activities for the year ended December 31, 2008.

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

Cost and market value of long-term investments at December 31, 2009 and 2008 are as follows:

	<u>Cost</u>	<u>Gross unrealized</u>	<u>Market value</u>
December 31, 2008			
Certificate of deposit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2009			
Certificate of deposit (bears interest at 1.74%, matures on February 8, 2011)	<u>\$ 87,276</u>	<u>\$ -</u>	<u>\$ 87,276</u>

NOTE 6 - CREDIT RISK

The Organization maintains its cash balances and reserves in several accounts in various banks. Cash balances are insured by Federal Deposit Insurance Corporation up to \$250,000 in each financial institution effective through December 31, 2013 and are generally held by Massachusetts Savings Institutions that are members of the Massachusetts Depositors' Insurance Fund which insures funds without limitation. At times, these balances may exceed the federal insurance 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, 2009.

NOTE 7 - 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 \$29,829 and \$28,089 in retirement plan contribution costs for the years ended December 31, 2009 and 2008, respectively.

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

NOTE 8 - OPERATING LEASE

The Organization had a non-cancelable lease for its Braintree office location which expired on October 31, 2009. In November, 2009, the Organization leased office space in another facility 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 amounts. Office rental expense for the years ending December 31, 2009 and 2008 were \$50,372 and \$49,926, respectively.

The Organization has a non-cancellable lease in Boston for a property that expires February 28, 2011. Minimum monthly payments of \$606 are required. The Organization has the option to purchase this property at the end of the lease; however, at this time the Organization does not intend to purchase this property.

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

2010	\$	80,423
2011		76,861
2012		79,574
2013		82,072
2014		71,367
		<u>390,297</u>
	\$	<u>390,297</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 year ended December 31, 2009 and 2008 totaled \$81,847 and \$78,404, respectively.

NOTE 9 - COMMITMENTS

Caritas has guaranteed the tax credits on Dudley Inn Limited Partnership and One Lenox Limited Partnership.

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

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 ends on the third anniversary of such time, June 30, 2010.

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.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Strategic planning	\$ 21,075	\$ 7,500
Building improvements	249,000	253,126
Resident services	19,029	-
	<u>\$ 289,104</u>	<u>\$ 260,626</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>2009</u>	<u>2008</u>
Strategic planning	\$ 30,551	\$ 45,298
Building improvements	310,578	34,719
Resident services	170,295	73,000
	<u>\$ 511,424</u>	<u>\$ 153,017</u>

Caritas Communities, Inc. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

NOTE 11 - 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. The company has accrued an insurance claim receivable for this amount at December 31, 2009.

NOTE 12 - IMPAIRMENT

Sean Brook House, Inc. acquired land and building on June 26, 2009, for an acquisition price of \$505,000. The appraised value of the rental property at acquisition was \$355,000. Sean Brook House's land and building have been written down as of June 26, 2009, to its estimated fair value of \$355,000. The write down resulted in an impairment loss of \$150,000 for the year ended December 31, 2009. Fair value measurements were made based on a third party appraisal for its "as is" value (Level 3 inputs). Management believes this value provides a reasonable measurement of the fair value of the property as a whole.

NOTE 13 - 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 June 21, 2010 (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, with the exception as noted below.

In January 2010, Caritas Communities, Inc. purchased a project consisting of 16 single-room occupancy units in Boston, Massachusetts. The acquisition price of the project was \$445,000. The acquisition was funded by the assumption of the outstanding CEDAC loan.

SUPPLEMENTAL INFORMATION

## Caritas Communities, Inc. and Subsidiaries

## SUPPLEMENTAL INFORMATION

## CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2009

	2009						Totals	Eliminating entries	Consolidation total	2008
	Caritas Communities Inc.	Parkview Housing, LP	Dudley Inn, LP	One Lenox, LP	Bedford Veterans Quarters, Inc.	Sean Brook House Inc.				Consolidation total
ASSETS:										
CURRENT ASSETS:										
Cash and cash equivalents	\$ 409,974	\$ 44,426	\$ 175,390	\$ 8,725	\$ 273,191	\$ 80,279	\$ 991,985	\$ -	\$ 991,985	\$ 630,475
Short-term investments	1,259,513	-	-	-	121,800	-	1,381,313	-	1,381,313	1,254,440
Cash - tenant security deposits	132,142	30,253	24,746	15,479	8,251	-	210,871	-	210,871	208,691
Account receivables, net of allowance for bad debts	97,883	9,088	13,799	5,448	16,287	-	142,505	-	142,505	98,124
Account receivables - other	186,000	-	-	-	-	-	186,000	-	186,000	-
Prepaid expenses and escrows	177,193	8,947	23,633	8,408	10,778	-	228,959	-	228,959	208,535
Total current assets	2,262,705	92,714	237,568	38,060	430,307	80,279	3,141,633	-	3,141,633	2,400,265
PROPERTY AND EQUIPMENT NET	19,866,031	1,316,348	3,052,088	3,816,106	3,152,552	2,206,205	33,409,330	(1,287,727)	32,121,603	27,637,514
OTHER ASSETS:										
Note receivables	1,016,155	-	-	-	-	-	1,016,155	(1,016,155)	-	-
Reserve for replacements	997,779	27,296	75,731	86,512	80,295	-	1,267,613	-	1,267,613	1,107,095
Operating and debt service reserves	169,932	-	334,503	158,195	-	-	662,630	-	662,630	697,218
Long-term investments	87,276	-	-	-	-	-	87,276	-	87,276	-
Unamortized finance costs	155,729	662	11,538	51,269	3,818	-	223,016	-	223,016	248,269
Due from affiliates	50,416	1,383	-	29	-	-	51,828	(51,828)	-	-
Development costs	169,626	-	-	-	-	-	169,626	-	169,626	432,706
Total other assets	2,646,913	29,341	421,772	296,005	84,113	-	3,478,144	(1,067,983)	2,410,161	2,485,288
	<u>\$ 24,775,649</u>	<u>\$ 1,438,403</u>	<u>\$ 3,711,428</u>	<u>\$ 4,150,171</u>	<u>\$ 3,666,972</u>	<u>\$ 2,286,484</u>	<u>\$ 40,029,107</u>	<u>\$ (2,355,710)</u>	<u>\$ 37,673,397</u>	<u>\$ 32,523,067</u>

Caritas Communities, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION - CONTINUED

December 31, 2009

	2009								2008	
	Caritas Communities Inc.	Parkview Housing, LP	Dudley Inn, LP	One Lenox, LP	Bedford Veterans Quarters, Inc.	Sean Brook House Inc.	Totals	Eliminating Entries	Consolidation total	Consolidation total
<b>LIABILITIES:</b>										
<b>CURRENT LIABILITIES:</b>										
Current maturities of long-term debt	\$ 173,914	\$ -	\$ 10,777	\$ 992	\$ 45,754	\$ -	\$ 231,437	\$ -	\$ 231,437	\$ 585,819
Accounts payable and accrued expenses	129,195	4,110	28,530	16,422	65,667	39,762	283,686	(31,335)	252,351	258,669
Accounts payable - construction	328,223	-	-	-	-	392,612	720,835	-	720,835	-
Accrued interest payable - first mortgage	-	-	2,193	257	-	-	2,450	-	2,450	-
Tenant security deposits	128,010	27,750	23,725	13,120	8,615	-	201,220	-	201,220	199,924
Prepaid rent	22,276	4,923	1,559	2,304	-	-	31,062	-	31,062	43,223
<b>Total current liabilities</b>	<b>781,618</b>	<b>36,783</b>	<b>66,784</b>	<b>33,095</b>	<b>120,036</b>	<b>432,374</b>	<b>1,470,690</b>	<b>(31,335)</b>	<b>1,439,355</b>	<b>1,087,635</b>
<b>LONG TERM DEBT:</b>										
Mortgages payable, less current maturities	16,265,396	2,116,155	1,933,118	1,901,559	3,237,444	1,882,915	27,336,587	(1,016,155)	26,320,432	20,882,872
Bond payable, less current maturities	4,675,000	-	-	-	-	-	4,675,000	-	4,675,000	4,790,000
<b>Total long-term debt</b>	<b>20,940,396</b>	<b>2,116,155</b>	<b>1,933,118</b>	<b>1,901,559</b>	<b>3,237,444</b>	<b>1,882,915</b>	<b>32,011,587</b>	<b>(1,016,155)</b>	<b>30,995,432</b>	<b>25,672,872</b>
<b>OTHER LIABILITIES:</b>										
Deferred interest	733,906	271,146	412,804	197,325	-	-	1,615,181	-	1,615,181	1,315,319
Deferred revenue	-	-	11,433	-	-	-	11,433	-	11,433	16,165
Due to affiliates	1,383	-	-	-	-	19,195	20,578	(20,578)	-	-
<b>Total other liabilities</b>	<b>735,289</b>	<b>271,146</b>	<b>424,237</b>	<b>197,325</b>	<b>-</b>	<b>19,195</b>	<b>1,647,192</b>	<b>(20,578)</b>	<b>1,626,614</b>	<b>1,331,484</b>
<b>Total liabilities</b>	<b>22,457,303</b>	<b>2,424,084</b>	<b>2,424,139</b>	<b>2,131,979</b>	<b>3,357,480</b>	<b>2,334,484</b>	<b>35,129,469</b>	<b>(1,068,068)</b>	<b>34,061,401</b>	<b>28,091,991</b>
Non controlling interest	-	-	1,287,439	2,018,277	-	-	3,305,716	209,257	3,514,973	3,892,733
<b>NET ASSETS:</b>										
Unrestricted net assets	2,114,734	(985,681)	(150)	(85)	300,075	(124,075)	1,304,818	(1,496,899)	(192,081)	277,717
Temporarily restricted net assets	203,612	-	-	-	9,417	76,075	289,104	-	289,104	260,626
<b>Total net assets</b>	<b>2,318,346</b>	<b>(985,681)</b>	<b>(150)</b>	<b>(85)</b>	<b>309,492</b>	<b>(48,000)</b>	<b>1,593,922</b>	<b>(1,496,899)</b>	<b>97,023</b>	<b>538,343</b>
	<b>\$ 24,775,649</b>	<b>\$ 1,438,403</b>	<b>\$ 3,711,428</b>	<b>\$ 4,150,171</b>	<b>\$ 3,666,972</b>	<b>\$ 2,286,484</b>	<b>\$ 40,029,107</b>	<b>\$ (2,355,710)</b>	<b>\$ 37,673,397</b>	<b>\$ 32,523,067</b>



Caritas Communities, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING SCHEDULE OF ACTIVITIES

Year ended December 31, 2009

	2009						Totals	Eliminating Entries	Consolidation Total	2008
	Caritas Communities Inc.	Parkview Housing, LP	Dudley Inn, LP	One Lenox, LP	Bedford Veterans Quarters, Inc.	Sean Brook House Inc				Consolidation Total
<b>SUPPORT AND REVENUE</b>										
Net rents	\$ 2,828,449	\$ 405,858	\$ 398,752	\$ 164,292	\$ 468,201	\$ -	\$ 4,265,552	\$ -	\$ 4,265,552	\$ 4,152,824
Annual dinner	214,825	-	-	-	-	-	214,825	-	214,825	243,150
Contributions	22,715	-	-	-	30	2,000	24,745	-	24,745	16,990
Foundation grants	413,628	-	-	-	115,099	100,000	628,727	-	628,727	489,584
Management and other fees	402,251	-	-	-	-	-	402,251	(402,251)	-	-
Investment income	115,132	874	10,797	874	6,173	-	133,850	(95,708)	38,142	101,637
Development fees	349,738	-	-	-	-	-	349,738	(349,738)	-	-
Other income (loss)	307	-	4,731	-	9,731	-	-	-	14,769	7,129
Realized (losses) and unrealized investment gains	-	-	-	-	-	-	-	-	-	(542,567)
<b>Total support and revenues</b>	<b>4,347,045</b>	<b>406,732</b>	<b>414,280</b>	<b>165,166</b>	<b>599,234</b>	<b>102,000</b>	<b>6,034,457</b>	<b>(847,697)</b>	<b>5,186,760</b>	<b>4,468,747</b>
<b>EXPENSES:</b>										
Compensation	1,149,892	154,924	68,476	20,038	52,054	-	1,445,384	(411,186)	1,034,198	1,112,373
Payroll taxes	128,168	-	-	-	-	-	128,168	-	128,168	119,539
Employee benefits	187,454	-	-	-	-	-	187,454	-	187,454	182,521
Management fee expense	-	35,998	38,904	15,434	43,893	-	134,229	(134,229)	-	-
Insurance	93,165	11,760	12,564	10,449	14,072	-	142,010	-	142,010	166,963
Automobile	45,000	-	-	-	-	-	45,000	-	45,000	40,512
Rent	50,372	-	-	-	81,843	-	132,215	-	132,215	128,330
Office and telephone	55,925	2,932	3,574	-	10,833	-	73,264	-	73,264	79,758
Legal and accounting	93,814	18,717	27,101	21,403	4,439	-	165,474	(4,692)	160,782	157,586
Meetings	3,068	-	-	-	-	-	3,068	-	3,068	8,663
Dinner costs	81,643	-	-	-	-	-	81,643	-	81,643	83,585
Other costs	199,253	7,089	21,170	9,573	8,510	-	245,595	4,368	249,963	240,030
Social services	21,669	3,343	3,608	1,380	79,622	-	109,622	-	109,622	71,566
Undeveloped properties	-	-	-	-	-	-	-	-	-	37,906
Utilities	472,500	56,944	81,508	32,806	-	-	643,758	-	643,758	687,525
Real estate tax	113,205	16,982	22,927	16,414	-	-	169,528	-	169,528	168,173
Depreciation and amortization	549,432	106,599	153,576	182,822	150,843	-	1,143,272	(47,848)	1,095,424	1,077,662
Repairs and maintenance	322,755	51,631	52,652	26,619	99,004	-	552,661	-	552,661	569,842
Manager's compensation	318,331	-	-	-	-	-	318,331	-	318,331	298,642
Interest	552,005	110,058	73,785	60,473	28,138	-	824,459	(95,708)	728,751	710,985
Impairment loss	-	-	-	-	-	150,000	150,000	-	150,000	-
Grant expense	-	-	-	-	-	-	-	-	-	3,787
<b>Total expenses</b>	<b>4,437,651</b>	<b>576,977</b>	<b>559,845</b>	<b>397,411</b>	<b>573,251</b>	<b>150,000</b>	<b>6,695,135</b>	<b>(689,295)</b>	<b>6,005,840</b>	<b>5,945,948</b>
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST</b>	<b>(90,606)</b>	<b>(170,245)</b>	<b>(145,565)</b>	<b>(232,245)</b>	<b>25,983</b>	<b>(48,000)</b>	<b>(660,678)</b>	<b>(158,402)</b>	<b>(819,080)</b>	<b>(1,477,201)</b>

Caritas Communities, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING SCHEDULE OF ACTIVITIES - CONTINUED

Year ended December 31, 2009

	2009						2008			
	Caritas Communities Inc.	Parkview Housing, LP	Dudley Inn, LP	One Lenox, LP	Bedford Veterans Quarters, Inc.	Sean Brook House Inc.	Totals	Eliminating Entries	Consolidation Total	Consolidation Total
Change in net assets before noncontrolling interest	(90,606)	(170,245)	(145,565)	(232,245)	25,983	(48,000)	(660,678)	(158,402)	(819,080)	(1,477,201)
Noncontrolling interest	-	-	145,536	232,224	-	-	377,760	-	377,760	393,134
Change in net assets	(90,606)	(170,245)	(29)	(21)	25,983	(48,000)	(282,918)	(158,402)	(441,320)	(1,084,067)
Net assets at beginning of year	2,408,952	(815,436)	(121)	(64)	283,509	-	1,876,840	(1,338,497)	538,343	1,622,410
Net assets at end of year	<u>\$ 2,318,346</u>	<u>\$ (985,681)</u>	<u>\$ (150)</u>	<u>\$ (85)</u>	<u>\$ 309,492</u>	<u>\$ (48,000)</u>	<u>\$ 1,593,922</u>	<u>\$ (1,496,899)</u>	<u>\$ 97,023</u>	<u>\$ 538,343</u>