

Masonic Charity Foundation of New Jersey

**Report on Financial Statements
(With Supplementary Information)**

Year Ended December 31, 2009

MASONIC CHARITY FOUNDATION OF NEW JERSEY

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Report of Independent Public Accountants

To the Board of Trustees
Masonic Charity Foundation of New Jersey

We have audited the accompanying statement of financial position of Masonic Charity Foundation of New Jersey (the "Foundation") as of December 31, 2009, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Masonic Charity Foundation of New Jersey as of December 31, 2009, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplemental statements are the responsibility of the Foundation's management. The supplemental statements have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Eatontown, New Jersey
March 26, 2010

MASONIC CHARITY FOUNDATION OF NEW JERSEY

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 14,111,470
Pledges and bequests receivable	2,735,263
Accounts receivable, net	4,458,903
Grand Lodge receivable	958,580
Inventory	139,756
Prepaid expenses and other assets	113,182
Assets limited as to use, under indenture agreement	3,597,091
Accrued investment income	117,394
Total current assets	<u>26,231,639</u>
Investments	59,194,251
Assets limited as to use, under indenture agreement:	
Interest fund	192,600
Bond fund	1,087,334
Land, buildings and equipment, net	79,278,490
Beneficial interest in perpetual trusts	2,767,000
Note receivable	1,272,917
Deferred financing fees, net	271,104
Residents' assets held	3,253,254
Total	<u>\$ 173,548,589</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Current portion of bonds payable	\$ 1,100,000
Accounts payable	712,058
Accrued expenses	2,901,928
Deferred gift plans support	2,833,695
Total current liabilities	<u>7,547,681</u>
Bonds payable	45,034,304
Accrued pension	5,214,453
Residents' funds	3,253,254
Total liabilities	<u>61,049,692</u>
Commitments and contingencies	
Net assets:	
Unrestricted	97,856,191
Temporarily restricted	3,076,142
Permanently restricted	11,566,564
Total net assets	<u>112,498,897</u>
Total	<u>\$ 173,548,589</u>

See accompanying notes to financial statements.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2009**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support:				
Contributions, donations, annual appeal and bequests	\$ 4,877,374	\$ 1,818,909	\$ 192,870	\$ 6,889,153
Revenue:				
Services for residents	40,170,410			40,170,410
Less allowances	<u>(14,315,757)</u>			<u>(14,315,757)</u>
Net revenue from services for residents	<u>25,854,653</u>			<u>25,854,653</u>
Grand Lodge fees	513,920			513,920
Investment income	2,023,267	60,855		2,084,122
Net realized and unrealized gains (losses) on investments	7,528,812	(26,826)		7,501,986
Change in value of split interest agreements	(766,018)	(53,893)		(819,911)
Change in beneficial interest in perpetual trusts			200,000	200,000
Miscellaneous	292,180			292,180
Net assets released from restrictions	<u>284,784</u>	<u>(284,784)</u>		
Total support and revenue	<u>40,608,972</u>	<u>1,514,261</u>	<u>392,870</u>	<u>42,516,103</u>
Expenses:				
Program services:				
Home operations	34,788,515			34,788,515
Hospice	1,202,743			1,202,743
Educational grants and scholarships	59,374			59,374
Outreach program	5,964			5,964
Community education programs	54,787			54,787
Miscellaneous	8,746			8,746
Support services:				
Interest	2,512,837			2,512,837
Investment expenses	336,964			336,964
Public relations and development	494,262			494,262
Management fee	1,066,310			1,066,310
Miscellaneous	<u>410,295</u>			<u>410,295</u>
Total expenses	<u>40,940,797</u>			<u>40,940,797</u>
Increase (decrease) in net assets	(331,825)	1,514,261	392,870	1,575,306
Pension liability adjustment	<u>(434,019)</u>			<u>(434,019)</u>
Increase in net assets	102,194	1,514,261	392,870	2,009,325
Net assets, beginning of year	<u>97,753,997</u>	<u>1,561,881</u>	<u>11,173,694</u>	<u>110,489,572</u>
Net assets, end of year	<u>\$ 97,856,191</u>	<u>\$ 3,076,142</u>	<u>\$ 11,566,564</u>	<u>\$ 112,498,897</u>

See accompanying notes to financial statements.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2009

Cash flows from operating activities:	
Increase in net assets	\$ 2,009,325
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	4,262,195
Amortization of bond premium	(25,994)
Amortization of deferred financing fees	34,863
Net realized and unrealized gain on investments	(7,501,986)
Change in accrued pension liability	(434,019)
Change in beneficial interest in perpetual trusts	(1,600,000)
Bad debt expense	570,243
Changes in operating assets and liabilities:	
Pledges and bequests receivable	435,447
Accounts receivable	(778,636)
Grand Lodge receivable	(409,916)
Inventory	48,623
Prepaid expenses and other assets	(5,982)
Accrued investment income	(39,031)
Accounts payable	(336,699)
Accrued expenses	798,713
Deferred gift plans support	104,659
Net cash used in operating activities	<u>(2,868,195)</u>
Cash flows from investing activities:	
Purchases of investments	(40,515,267)
Proceeds from sale or maturity of investments	50,586,092
Increase in assets limited as to use, under indenture agreement	(28,127)
Accrued interest	(55,979)
Acquisition of property and equipment	(385,877)
Net cash provided by investing activities	<u>9,600,842</u>
Cash flows from financing activities:	
Principal payments on bonds	<u>(1,055,000)</u>
Net increase in cash and cash equivalents	5,677,647
Cash and cash equivalents, beginning of year	<u>8,433,823</u>
Cash and cash equivalents, end of year	<u>\$ 14,111,470</u>
Supplemental disclosure of cash flow data:	
Interest paid	<u>\$ 2,531,051</u>

See accompanying notes to financial statements.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and business:

The Masonic Charity Foundation of New Jersey (the "Foundation"), incorporated in 1930, is a nonprofit corporation organized for the purpose of receiving, maintaining and administering endowments and funds exclusively for charitable, benevolent and medical purposes. The Foundation consists of three separate funds: The Masonic Home ("Home"), Masonic Hospice Services ("Hospice") and The Corporate Fund ("Corporate") which manages the general operations of the Foundation.

The Home is a 517-bed facility for the aging, located in Burlington, New Jersey which offers residential, assisted living and medical care for occupants.

Any inter-fund balances and transactions have been eliminated for the presentation of these financial statements.

Note 2 - Summary of significant accounting policies:

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of credit risk:

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, note receivable, investments and assets limited as to use. The Foundation places its cash and cash equivalents with high credit quality financial institutions. At times, such investments may exceed Federally insured limits. With respect to investments and assets limited to use, the Foundation employs the services of a professional money management firm to manage the associated risk. The Foundation grants credit without collateral to its residents and participates under third-party payor agreements. An allowance for doubtful accounts is provided based upon management's assessment of individual accounts, past history of write-offs and collections, type of contribution and current credit conditions.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

Cash and cash equivalents:

Cash and cash equivalents consist of cash balances and investments in short-term, highly liquid securities that have original maturities of three months or less when acquired. As part of its ongoing control procedures, the Foundation monitors concentrations of credit risk associated with financial institutions with which it conducts business. Included in cash at December 31, 2009 is approximately \$106,000 that is restricted for the Foundation's employees' health insurance account.

Investments and investment risk:

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in increase (decrease) in unrestricted net assets unless the income or loss is restricted by donor or law.

Investments are professionally managed by Morgan Stanley, with input from the Foundation's finance and investment committee. The fair values reported in the statement of financial position are subject to various risks including interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

Investments in alternative investments are reported at fair value in the accompanying statement of financial position and represent investments in mutual funds that trade domestic and foreign equities and fixed income securities as well as other financial instruments under the direction of asset managers. The asset managers value their investments in partnerships and securities based on fair values in conformity with accounting principles generally accepted in the United States of America. The investment partnerships may carry investments for which market quotations are not readily available and are valued at their fair value as determined by their respective asset managers. A change in the estimated value may occur in the near term.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

Investments and investment risk (concluded):

Amounts can be divested only at specified dates established by the fund manager. At December 31, 2009, the Foundation does not have future commitments to invest in additional alternative investments. The value of the alternative investments presented in the statement of financial position reflects the value of the funds as of December 31, 2009.

The debt reserve fund assets are held in guaranteed investment contracts ("GIC"). A GIC is an insurance company product designed to preserve invested principal and provide a fixed rate of return. The value of the GIC represents its contract value as of December 31, 2009.

Fair value measurements:

During 2008, the Foundation adopted the standard regarding fair value measurements which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. While this standard does not require any new fair value measurements, it applies under other pronouncements that require or permit fair value measurements. The pronouncement clarifies the definition of fair value as an exit price, i.e. a price that would be received to sell, as opposed to acquire, an asset or transfer a liability. It emphasizes that fair value is a market-based measurement. It establishes a fair value hierarchy that distinguishes between assumptions developed based on market data obtained from independent external sources and the reporting entity's own assumptions. It specifies that fair value measurement should consider adjustments for risk, such as the risk inherent in a valuation technique or its inputs. For assets and liabilities measured at fair value on a recurring basis, the pronouncement expands the required disclosures concerning the inputs used to measure fair value.

The Foundation has applied this pronouncement to the valuation of the liability related to split interest agreements (see Note 2). The Foundation has opted to record this liability at its fair value which is equal to the present value calculation, this is common industry practice. There are no other similar assets which the pronouncement applies. The liability as of December 31, 2009 is approximately \$266,000 and is recorded in deferred gift plans support on the statement of financial position. The decrease in the liability for the year ended December 31, 2009 is approximately \$140,000 and is recorded in contributions, donations, annual appeal and bequests on the statement of activities.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

Fair value measurements (concluded):

On December 31, 2009, further guidance regarding fair value measurements and disclosures related to investments in certain entities that calculate net asset value per share was enacted. This update provides additional guidance related to measuring the fair value of certain alternative investments and permits, in certain situation, a reporting entity to use the net asset value per share as a practical expedient to measure the fair value of these certain alternative investments. The guidance also requires disclosure by major category of investment about the attributes of the investments, such as the nature of any restrictions on the investor's ability to redeem its investments at the measurement date. The adoption of this guidance did not have a material impact on the Foundation's financial statements.

Assets limited as to use:

The Foundation separately accounts for and reports various funds which have been designated by the Board of Trustees as restricted for specific purposes. These assets are recorded at fair value which is determined by reference to quoted market prices at December 31, 2009. A portion of these funds is classified as a current asset representing amounts available to pay current accrued bond interest and principal.

Residents' assets held:

Assets owned by or received on behalf of certain residents at the time of admission, or subsequently, are held in trust and invested in marketable bonds. Charges for services provided to residents are applied against their respective trust accounts. If, at the time of death, a resident has assets remaining in the trust account, they are distributed in accordance with the resident's will. Both the assets and a corresponding liability equal to those assets are recorded on the statement of financial position.

Estate bequests:

The Foundation has been notified that it is the beneficiary of several estate bequests and has recorded such amounts as pledges and bequests receivable in the accompanying statement of financial position. The Foundation's policy is to record estate bequests upon the death of the donor and when amounts can be estimated.

The total of the bequests receivable as of December 31, 2009 is approximately \$2,500,000. During the year ended December 31, 2009, approximately \$193,000 has been recorded as permanently restricted contribution income in accordance with donors' stipulations.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

Split-interest agreements:

The Foundation has been designated as the remainderman under several charitable remainder trust agreements. The Foundation recognizes contribution revenue, following restrictions of the trust agreement, at the time the trust is established. In accordance with the trust agreements, the Foundation pays the designated beneficiaries a specified percentage of the income earned on the trust assets or a predetermined annual annuity amount. Upon the death of the beneficiaries, the trust assets are transferred to the Foundation. The present value of these liabilities, which amounts to approximately \$266,000 at December 31, 2009, has been recorded as deferred gift plans support in the statement of financial position. The calculation was based on a rate of return of 3.2% and the Annuity 2000 Mortality Table.

The Foundation provides programs to fund gift annuity contracts for individuals desiring to participate. The amounts deposited under these agreements are recorded in Corporate. The Foundation is required, by state mandate, to establish a reserve which amounts to approximately \$2,800,000 at December 31, 2009, which is included in investments in the statement of financial position. The calculation was based on a rate of return of 3.2% and the Annuity 2000 Mortality Table.

Beneficial interest in trusts:

The Foundation is a beneficiary of certain trusts administered by third parties under which the Foundation has the irrevocable right to receive a portion of the income earned on the trust assets. The Foundation has recognized the present value of the expected future cash flows, which is generally measured by the fair value of the assets contributed to the trusts as beneficial interest in perpetual trusts, in the accompanying statement of financial position. During 2009, the Foundation recorded approximately \$1,400,000 in temporarily restricted contributions related to the beneficial interest in one trust. The Foundation had received income from this trust in prior periods, however, was unable to estimate the value of their beneficial interest until the current period.

Endowment funds:

In August 2008, a pronouncement was issued regarding endowments of not-for-profit organizations and net asset classification of funds subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. This pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). It also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

Endowment funds (concluded):

As stated in Note 1, the Foundation is incorporated in New Jersey. The State of New Jersey enacted UPMIFA effective in 2009, the provisions of which apply to endowment funds existing on or established after that date. The Foundation has adopted the pronouncement for the year ended December 31, 2009. The Board of Trustees has determined that the majority of the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA. Based on the Foundation's interpretation of UPMIFA, it has reviewed all of its endowment funds and has determined that none required reclassification from unrestricted net assets to temporarily restricted net assets as of December 31, 2009.

Resident accounts receivable:

The Foundation establishes an allowance for uncollectible accounts to reduce its receivables for resident care to net realizable value. The allowances are estimated by management based on general factors such as payor mix, aging of the receivables and historical collection experience. Accounts are written off through bad debt expense when the Foundation has exhausted all collection efforts and accounts are deemed uncollectible.

Land, buildings and equipment:

Land, buildings and equipment are stated at cost or, if donated, at fair value at the date of donation. Gains or losses on the sale of land, buildings and equipment are included in income in the period in which the sale occurred. Depreciation is computed using the straight-line method principally over the following estimated useful lives: land improvements - 10 to 20 years; buildings - 20 to 40 years; and equipment - 5 to 15 years. The cost of maintenance and repairs is charged against income as incurred; significant renewals and improvements are capitalized.

Grand Lodge receivable:

The Grand Lodge of New Jersey ("Grand Lodge"), an affiliated organization of the Foundation, receives annual membership fees, of which, a portion is due to the Foundation. During 2009, the Foundation recorded approximately \$514,000 of income related to such fees. At December 31, 2009, the amount due from the Grand Lodge was approximately \$959,000.

Deferred financing costs:

Deferred financing costs related to the bond issues are being amortized on the straight-line method over the life of the bond issues. Amortization amounted to approximately \$35,000 in 2009.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

Income taxes:

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code. The Foundation is also exempt from state and local income taxes.

The Foundation previously adopted accounting for uncertainty in income taxes guidance which clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. This provision also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, and disclosure. Management has determined that this provision did not have a material impact on the financial statements.

The Foundation's U.S. Federal and state income tax returns prior to calendar year 2006 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Foundation's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Classification of net assets:

The accompanying financial statements present information regarding the Foundation's financial position and activities according to three classes of net assets; unrestricted, temporarily restricted and permanently restricted. The three classes are differentiated by donor restriction:

Unrestricted net assets are not externally restricted for identified purposes by donors or grantors. Unrestricted net assets include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Foundation and an outside party other than a donor or grantor.

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific period or purpose. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are recorded as net assets released from restrictions. Temporarily restricted net assets which have a time restriction are used primarily for capital projects, scholarships and the benefit of residents of the Home and Hospice.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

Classification of net assets (concluded):

Permanently restricted net assets are those whose use is permanently limited by the donor and are to be held in perpetuity. Earnings on permanently restricted net assets, which are limited to be expended for specific purposes, are included in temporarily restricted net assets. Earnings without such restrictions are also included in temporarily restricted net assets until they are used. Unrestricted earnings used during the same period earned are included in unrestricted net assets. The change in fair value of the beneficial interest in perpetual trusts held by third parties is included in the change in permanently restricted net assets.

Donor restrictions:

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Income earned on such assets also follows donor stipulations and is recorded as temporarily restricted until such time as the conditions of the restriction are met. If restrictions on a contribution are met in the same reporting period as the contribution is received, the revenue is reported as an increase in unrestricted net assets. The Foundation reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Services for residents:

Care and health maintenance costs of residents in the Home are funded by charges to residents to the extent they are able to pay, from third-party reimbursements, and from contributions, investments and other income of the Foundation. To the extent that existing residents are unable to pay, the Foundation charges the amount between its contracted established rates and what is collectible to fraternal care. During 2009, the Foundation changed its contracts for all new residents to limit the amount of fraternal care that would be granted. Because third-party cost reimbursements cannot be accurately determined, the unreimbursed cost of future support of residents without assets is not determinable. The Foundation believes it has the necessary resources to fund unreimbursed care. For the year ended December 31, 2009, the Foundation charged approximated \$7,900,000 to fraternal care.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

Services for residents (concluded):

The Foundation provides care to residents under the Medicare and Medicaid programs. Revenue from the Medicare and Medicaid programs accounted for approximately 50% of the revenue from residential and healthcare facilities for the year ended December 31, 2009. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Foundation. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates will change by a material amount in the near future. The Foundation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

Revenues from resident services are reported at the estimated net realizable amounts from residents and third-party payors. Revenues are recorded at rates established by the respective third party in the period during which the service is provided. The Foundation records appropriate contractual adjustments for Medicare and Medicaid revenue.

Estimated third-party payor settlements:

The Home receives third-party reimbursements at contractually established rates for services rendered to residents covered by third-party programs. The amounts received are subject to audit and final adjustment by the third parties. The Home accounts for its resident revenue based on rates determined by the Home for services rendered. It records, as fraternal care and allowance, deductions from these revenues representing the difference between the Home rates and the third-party contractually established rates and available income from residents. Provisions for estimated third-party payor settlements are recorded in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in the statement of operations and changes in net assets in the year of the settlement. No material amounts related to prior year settlements were recorded during 2009.

Functional allocation of expenses:

Expenses for various programs have been summarized on a functional basis in the statements of activities. The Foundation's contributions, gifts and bequests provide funds for reimbursement of certain general operating and administrative expenses. Accordingly, a portion of the Foundation's total general and administrative expenses has been allocated among the programs benefited.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (concluded):

Advertising:

The Foundation expenses the cost of advertising and promotions as incurred. Advertising and promotion costs charged to operations was approximately \$137,000 for the year ended December 31, 2009.

Reclassifications:

Certain opening net asset amounts in the accompanying financial statements have been reclassified from the presentation in the prior audited financial statements.

Subsequent events:

The Foundation has evaluated subsequent events through March 26, 2010, which is the date the financial statements were available to be issued.

Note 3 - Accounts receivable:

Accounts receivable consist of the following:

<u>Accounts Receivable</u>	<u>Home Operations</u>	<u>Corporate</u>	<u>Hospice</u>	<u>Totals</u>
Medicaid	\$ 951,381		\$ 99,867	\$1,051,248
Medicare	615,349		232,848	848,197
Trust residents	280,145			280,145
Self-pay residents	2,692,337			2,692,337
Other	<u>384,197</u>	<u>\$ 50</u>	<u>21,589</u>	<u>405,836</u>
Totals	4,923,409	50	354,304	5,277,763
 <u>Allowance</u>				
Self-pay residents	(613,760)			(613,760)
Other	<u>(205,100)</u>			<u>(205,100)</u>
Totals	<u>\$4,104,549</u>	<u>\$ 50</u>	<u>\$354,304</u>	<u>\$4,458,903</u>

Concentrations of gross accounts receivable from residents and third-party payors are as follows:

Medicare	20%
Medicaid	16%
Self-pay residents and other	<u>64%</u>
Totals	<u>100%</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 4 - Investments, assets limited as to use and residents' assets held:

Description	Fair Value	Cost	Unrealized Gain (loss)
Corporate and international bonds	\$ 6,158,432	\$ 6,554,947	\$ (396,515)
U.S. Government obligations	709,148	689,197	19,951
Mortgage/asset-backed securities	5,219,887	5,108,773	111,114
Equity securities	31,567,600	29,729,299	1,838,301
Commodity funds	374,079	616,108	(242,029)
Alternative investments	11,642,150	10,890,173	751,977
Guaranteed investment contracts	3,597,091	3,597,091	
Mutual funds	5,935,915	5,926,844	9,071
Totals	<u>\$65,204,302</u>	<u>\$63,112,432</u>	<u>\$2,091,870</u>

The Foundation values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Corporate and international bonds are defined as debt instruments rated below "BBB-" by Standard & Poor's or "Baa3" by Moody's Investor Service and the fair value is based upon comparable market prices for facilities with similar credit ratings.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 4 - Investments, assets limited as to use and residents' assets held (continued):

U.S. Government obligations are fixed income including debt instruments issued by U.S. Governments agencies, "quasi Government" agencies, and any other public regulated debt security. The valuation is based on the real coupon and the principal value of the bonds.

Mortgage-backed securities are asset-backed securities or debt obligations representing a claim on the cash flows from mortgage loans fair valued by the mortgage note and the underlying asset.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded. These investments are either common or preferred stock.

Mutual funds and commodity funds are valued at the net asset value of shares held by the Foundation at year end.

The fair value of alternative investments is based on the net asset value (NAV) as determined by the fund managers (see Note 2).

Guaranteed investment contracts are valued at contract value, which approximates fair value. Fair value is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Financial assets and liabilities carried at fair value at December 31, 2009 are classified in the table below in one of the three categories:

Description	Total	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Observable Inputs Level 2	Significant Other Observable Inputs Level 3
Corporate and international bonds	\$ 6,158,432		\$ 6,158,432	
U.S. Government obligations	709,148		709,148	
Mortgage/asset-backed securities	5,219,887		5,219,887	
Equity securities	31,567,600	\$31,567,600		
Commodity funds	374,079	374,079		
Alternative investments	11,642,150			\$11,642,150
Guaranteed investment contracts	3,597,091		3,597,091	
Mutual funds	<u>5,935,915</u>	<u>5,935,915</u>		
Total investments	65,204,302	37,877,594	15,684,558	11,642,150
Gift annuity liability	(2,555,056)	(986,474)	(1,206,941)	(361,641)
Resident asset liability	<u>(2,412,961)</u>		<u>(2,412,961)</u>	
Totals	<u>\$60,236,285</u>	<u>\$36,891,120</u>	<u>\$12,064,656</u>	<u>\$11,280,509</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 4 - Investments, assets limited as to use and residents' assets held (concluded):

The following sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2009:

Balance, beginning of year	\$13,369,201
Purchases	1,000,000
Proceeds	(4,504,851)
Change in gift annuity liability	(57,457)
Realized gain	164,275
Unrealized gain	<u>1,309,341</u>
Balance, end of year	<u>\$11,280,509</u>

Note 5 - Endowment:

The Foundation's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the State of New Jersey UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Foundation and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 5 - Endowment (continued):

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes cash, money market funds, corporate bonds, international bonds, U.S. Government obligations, mortgage/asset-backed securities, equity securities, commodity funds, alternative investments, and mutual funds that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return that is consistent or exceeds the market annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Foundation has a policy of appropriating for distribution each year the amount based on our annual budget and as needed on a monthly basis with the proper authorization prior to making any distributions. For 2009, that amount was not to exceed \$6,000,000. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate based on the market annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Donor-restricted endowment funds		\$2,948,019	\$11,566,564	\$14,514,583
Board-designated endowment funds	\$55,639,083			55,639,083
Total funds	<u>\$55,639,083</u>	<u>\$2,948,019</u>	<u>\$11,566,564</u>	<u>\$70,153,666</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 5 - Endowment (concluded):

Changes in endowment net assets for the year ended December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$52,991,525	\$1,095,081	\$11,173,694	\$65,260,300
Contributions		1,810,444	192,870	2,003,314
Investment income	1,146,031	69,320		1,215,351
Net appreciation (depreciation)	7,951,527	(26,826)		7,924,701
Gain on perpetual trusts			200,000	200,000
Amounts appropriated for expenditure	<u>(6,450,000)</u>			<u>(6,450,000)</u>
Endowment net assets, end of year	<u>\$55,639,083</u>	<u>\$2,948,019</u>	<u>\$11,566,564</u>	<u>\$70,153,666</u>

Note 6 - Note receivable:

During 2008, the Foundation advanced funds to the Historic Trenton Masonic Temple (the "Temple") in exchange for a note in the amount of \$1,200,000. The note bears interest at 4.60%, which is due at least annually on the anniversary date of the note. The note is payable on demand and collateralized by a mortgage on the Temple and guaranteed by the Grand Lodge. During 2009, the Foundation recognized approximately \$56,000 of interest income related to the note.

Note 7 - Land, buildings and equipment:

Land, buildings and equipment consist of the following:

Land	\$ 5,473,336
Buildings and improvements	112,642,558
Furniture and fixtures	21,705,074
Motor vehicles	1,109,051
Hospice	98,438
Construction in progress	<u>955,498</u>
	141,983,955
Less accumulated depreciation	<u>(62,705,465)</u>
Totals	<u>\$ 79,278,490</u>

Depreciation expense during 2009 was \$4,262,195. Construction in progress relates to costs incurred for future projects of the Foundation.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8 - Bonds payable:

On October 1, 2002, the Foundation issued the Series 2002 Bonds (the "2002 Bonds") in the amount of \$13,000,000. The proceeds from the 2002 Bonds were used primarily to finance the renovations of two existing buildings that comprise the Foundation's skilled nursing center and the acquisition of furniture, fixtures and equipment.

The 2002 Bonds mature at various dates beginning June 1, 2003 and ending June 1, 2032, and bear interest at rates ranging from 2.00% to 5.25%. Interest payments commenced on December 1, 2002 and are due semi-annually. The original issue discount and the premium related to the 2002 Bonds were \$20,080 and \$440,208, respectively.

The 2002 Bonds maturing on or after June 1, 2014 are subject to optional redemption in whole at any time or in part on any interest payment date on or after June 1, 2013 at the redemption prices set forth in the loan agreement. The Term 2002 Bonds due June 1, 2018, June 1, 2021, June 1, 2024 and June 1, 2032 are subject to a mandatory sinking fund redemption, prior to maturity, at a redemption price equal to 100% of the principal amount as stated in the loan agreement. The 2002 Bonds are also subject to other extraordinary or special mandatory redemptions as described in the loan agreement.

On May 15, 2001, the Foundation issued the Series 2001 Bonds (the "2001 Bonds") in the amount of \$40,000,000. The proceeds from the 2001 Bonds were used primarily to finance a project which consists of construction of a four building complex, renovation of two existing buildings, and acquisition of furnishings, fixtures and equipment, all to be used to improve the Foundation's existing skilled nursing facility.

The 2001 Bonds mature at various dates beginning June 1, 2002 and ending June 1, 2031, and bear interest at rates ranging from 3.30% to 6.00%. Interest payments commenced on December 1, 2001 and are due semi-annually. The original issue discount and the premium related to the 2001 Bonds were \$353,366 and \$563,273, respectively.

The 2001 Bonds maturing on or after June 1, 2012 are subject to optional redemption in whole at any time or in part on any interest payment date on or after June 1, 2011 at the redemption prices set forth in the loan agreement. The Term 2001 Bonds are due June 1, 2018, June 1, 2021, June 1, 2025 and June 1, 2031 and are subject to a mandatory sinking fund redemption, prior to maturity, at a redemption price equal to 100% of the principal amount as stated in the loan agreement. The 2001 Bonds are also subject to other extraordinary or special mandatory redemptions as described in the loan agreement.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8 - Bonds payable (concluded):

Additionally, the 2002 Bonds and 2001 Bonds are collateralized by a continuing security interest in the Foundation's gross revenues. The 2002 Bonds and 2001 Bonds contain restrictive covenants relating to reporting and minimum levels of liquidity and debt service coverage ratios, as defined in the loan agreement. Those covenants have been met for the year ended December 31, 2009.

At December 31, 2009, the net unamortized premium related to the 2002 Bonds and 2001 Bonds is approximately \$330,000. Amortization amounted to approximately \$26,000 in 2009.

Principal payment requirements for the above bonds in each of the five years subsequent to December 31, 2009 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$1,100,000
2011	1,150,000
2012	1,205,000
2013	1,265,000
2014	1,330,000

Note 9 - Pension plan:

The Foundation has a defined benefit pension plan covering substantially all of its employees. The plan provides for benefits based upon employees' years of service and compensation. The Foundation's policy is to fund at least the minimum amount required by applicable regulations using the entry-age normal method. Plan assets comprise principally stocks, bonds and short-term investments maintained in a trust fund at PNC Bank.

In October 2005, the Foundation adopted a resolution to freeze the plan as of March 31, 2006. Participants will be credited for service after March 31, 2006, solely for vesting purposes pursuant to terms of the plan.

The following table is a reconciliation of the beginning and ending balances of the plan's projected benefit obligation and fair value of plan assets at December 31, 2009:

Change in projected benefit obligation:

Projected benefit obligation	\$17,171,302
Interest cost	1,054,167
Actuarial losses	1,003,055
Benefits paid	<u>(853,906)</u>
Projected benefit obligation at end of year	<u>\$18,374,618</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 9 - Pension plan (continued):

Change in plan assets:	
Fair value of plan assets at beginning of year	\$11,522,830
Actual return on plan assets	2,066,748
Employer contributions	602,213
Disbursements	<u>(1,031,626)</u>
Fair value of plan assets at end of year	<u>\$13,160,165</u>
Fund status at end of year	<u>\$ (5,214,453)</u>

Amounts recognized in the statement of financial position at December 31, 2009:

Non-current liabilities	<u>\$(5,214,453)</u>
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Amounts recognized in unrestricted net assets, unrestricted at December 31, 2009:

Unrecognized net loss	<u>\$(6,724,783)</u>
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An actuarial loss of \$426,840 is expected to be recognized in net periodic pension cost in the next fiscal year.

The accumulated benefit obligation at December 31, 2009 is \$18,374,618.

The measurement date used to determine the fair value pension plan assets and projected benefit obligation was December 31, 2009.

The components of net periodic pension credit for 2009 are as follows:

Interest cost	\$1,054,167
Expected return on plan assets	(1,062,908)
Amortization of net loss	479,544
Net periodic pension credit	<u>470,803</u>

Weighted-average assumptions used to determine the benefit obligation at December 31, 2009 are as follows:

Discount rate	6.00%
Rate of compensation increase	N/A

Weighted-average assumptions used to determine net periodic (benefit) pension cost at December 31, 2009 are as follows:

Discount rate	6.25%
Expected long-term rate of return on plan assets	9.50%

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 9 - Pension plan (continued):

The expected long-term rate of return on plan assets assumption of 9.5% was selected based on the guaranteed rate of return of the group annuity contracts.

The following table for the plan sets forth the actual asset allocation and target asset allocation for plan assets at December 31, 2009:

Equity securities	46%
Debt securities	6%
Other	<u>48%</u>
Total	<u>100%</u>

The Company's investment policy is designed to achieve the following long-term investment objectives:

- To maintain or exceed a target funding level of 100% of the plan's liabilities, defined as the market value of the portfolio assets as a percentage of the accumulated benefit obligation including a target allocation of a conservative mix of investments, and
- To achieve a long-term rate of return of 9.50% as established by the Foundation's actuarial consultant.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 984,950
2011	1,013,178
2012	1,094,498
2013	1,121,492
2014	1,144,741
2015-2019	6,147,353

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 9 - Pension plan (concluded):

The fair values of the Foundation pension plan assets at December 31, 2009 by asset category are as follows:

Description	Total	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Observable Inputs Level 2	Significant Other Unobservable Inputs Level 3
Common stocks	\$ 3,750,616	\$3,750,616		
Limited partnership	984,892			\$984,892
Registered investment companies	3,031,138	3,031,138		
Fixed income assets	4,329,240		\$4,329,240	
Total Investments	\$12,095,886	\$6,781,754	\$4,329,240	\$984,892

In addition to quoted market prices in active markets, valuation techniques included:

- Level 2 - Fixed income assets are valued by calculating the sum of the present value of projected future cash flows.
- Level 3 - The fair value of the limited partnership is based on the net asset value (NAV) as determined by the fund manager.

Beginning balance	\$885,720
Unrealized gain	<u>99,172</u>
Total	<u>\$984,892</u>

Note 10- Retirement plan:

The Foundation sponsors a 403(b) defined contribution retirement plan for the benefit of its employees. The Foundation matches employee salary deferrals into the plan up to 3% of eligible compensation. Expense related to this plan was approximately \$342,000 during the year ended December 31, 2009.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 11- Home operating expense:

Departmental expenses, including employee benefit expense, attributable to operations of the Home for the year ended December 31, 2009 are summarized as follows:

Administrative	\$ 2,844,788
Accounting	1,048,052
Information systems	660,535
Health care	14,610,793
Food service	4,338,014
Other services for residents	1,379,605
Housekeeping and laundry	1,747,172
Maintenance, building and grounds	3,247,627
Depreciation	4,236,569
Voluntary early retirement benefits	105,117
Bad debt	<u>570,243</u>
Total	<u>\$34,788,515</u>

Note 12- Temporarily restricted net assets:

Temporarily restricted net assets are as follows:

Income restricted for scholarships	\$ 1,536,750
Income restricted for resident entertainment	11,269
Trust agreements	<u>1,528,123</u>
Total	<u>\$ 3,076,142</u>

Note 13- Commitments and contingencies:

The Foundation is self-insured for health insurance with individual limits of \$125,000 per employee, and corresponding aggregate limits based upon the number of covered employees, for the benefit plan year ended December 31, 2009. Stop loss insurance over these limits is purchased through the benefits plan administrator. For the year ended December 31, 2009, the Foundation recognized expense attributable to this plan of approximately \$3,056,000.

On April 1, 2009, the Foundation entered into a three year management agreement with Springpoint Senior Living ("SSL"). The contract provides for fees to be paid to SSL based on a percentage of the Foundation's gross revenue in each year of the agreement. During 2009, the Foundation incurred approximately \$1,066,000 of management fees to SSL which are reflected in the statement of activities and changes in net assets

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 13- Commitments and contingencies (concluded):

The Foundation, from time to time, may be involved with certain legal actions arising in the ordinary course of business. Management believes that the outcome of such litigation and claims would not have a material adverse effect on the Foundation's financial position and results of operations.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

**STATEMENT OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2009**

	Home Operations Fund	Hospice Fund	Corporate Fund	Total
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 813,013	\$ 26,046	\$ 13,272,411	\$ 14,111,470
Pledges and bequests receivable			2,735,263	2,735,263
Accounts receivable, net	4,104,549	354,304	50	4,458,903
Grand Lodge receivable	17,640		940,940	958,580
Inventory	139,756			139,756
Prepaid expenses and other assets	109,479		3,703	113,182
Assets limited as to use, under indenture agreement			3,597,091	3,597,091
Accrued investment income			<u>117,394</u>	<u>117,394</u>
Total current assets	<u>5,184,437</u>	<u>380,350</u>	<u>20,666,852</u>	<u>26,231,639</u>
Investments			59,194,251	59,194,251
Assets limited as to use, under indenture agreement:				
Interest fund			192,600	192,600
Bond fund			1,087,334	1,087,334
Land, buildings, and equipment, net		43,277	79,235,213	79,278,490
Beneficial interest in perpetual trusts			2,767,000	2,767,000
Note receivable			1,272,917	1,272,917
Deferred financing fees, net			271,104	271,104
Residents' assets held	<u>3,253,254</u>			<u>3,253,254</u>
Totals	<u>\$ 8,437,691</u>	<u>\$ 423,627</u>	<u>\$ 164,687,271</u>	<u>\$ 173,548,589</u>
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>				
Current liabilities:				
Current portion of bonds payable			\$ 1,100,000	\$ 1,100,000
Accounts payable	\$ 321,364	\$ 8,146	382,548	712,058
Accrued expenses	2,390,398	10,610	500,920	2,901,928
Deferred gift plans support			<u>2,833,695</u>	<u>2,833,695</u>
Total current liabilities	<u>2,711,762</u>	<u>18,756</u>	<u>4,817,163</u>	<u>7,547,681</u>
Bonds payable			45,034,304	45,034,304
Accrued pension	5,214,453			5,214,453
Residents' funds	<u>3,253,254</u>			<u>3,253,254</u>
Total liabilities	<u>11,179,469</u>	<u>18,756</u>	<u>49,851,467</u>	<u>61,049,692</u>
Net assets (deficit):				
Unrestricted	(2,741,778)	404,871	100,193,098	97,856,191
Temporarily restricted			3,076,142	3,076,142
Permanently restricted			<u>11,566,564</u>	<u>11,566,564</u>
Total net assets (deficit)	<u>(2,741,778)</u>	<u>404,871</u>	<u>114,835,804</u>	<u>112,498,897</u>
Totals	<u>\$ 8,437,691</u>	<u>\$ 423,627</u>	<u>\$ 164,687,271</u>	<u>\$ 173,548,589</u>

See Report of Independent Public Accountants.

MASONIC CHARITY FOUNDATION OF NEW JERSEY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) BY FUND
YEAR ENDED DECEMBER 31, 2009

	Home Operations Fund	Hospice Fund	Corporate Fund	Total
Unrestricted net assets:				
Support:				
Contributions, donations, annual appeal and bequests		\$ 1,195	\$ 4,876,179	\$ 4,877,374
Revenue:				
Services for residents	\$ 37,768,847	2,401,563		40,170,410
Less allowances	(14,315,757)			(14,315,757)
Net revenue from services for residents	23,453,090	2,401,563		25,854,653
Grand Lodge fees			513,920	513,920
Investment income	19		2,023,248	2,023,267
Net realized and unrealized gains on investments			7,528,812	7,528,812
Change in value of charitable gift annuity			(766,018)	(766,018)
Miscellaneous	104,493		187,687	292,180
Net assets released from restrictions			284,784	284,784
Total unrestricted support and revenue	23,557,602	2,402,758	14,648,612	40,608,972
Expenses:				
Program services:				
Home operations	34,788,515			34,788,515
Hospice		1,202,743		1,202,743
Educational grants and scholarships			59,374	59,374
Outreach program			5,964	5,964
Community education programs			54,787	54,787
Miscellaneous			8,746	8,746
Support services:				
Interest			2,512,837	2,512,837
Investment expenses			336,964	336,964
Public relations and development			494,262	494,262
Management fees			1,066,310	1,066,310
Miscellaneous			410,295	410,295
Total expenses	34,788,515	1,202,743	4,949,539	40,940,797
Increase (decrease) in unrestricted net assets before pension liability adjustment	(11,230,913)	1,200,015	9,699,073	(331,825)
Pension liability adjustment	(434,019)			(434,019)
Increase (decrease) in unrestricted net assets	(10,796,894)	1,200,015	9,699,073	102,194
Temporarily restricted net assets:				
Support - contributions			1,818,909	1,818,909
Investment income			60,855	60,855
Net realized and unrealized loss on investments			(26,826)	(26,826)
Change in split interest agreements			(53,893)	(53,893)
Net assets released from restrictions			(284,784)	(284,784)
Increase in temporarily restricted net assets			1,514,261	1,514,261
Permanently restricted net assets:				
Support - contributions and bequests			192,870	192,870
Change in beneficial interest in perpetual trusts			200,000	200,000
Increase in permanently restricted net assets			392,870	392,870
Increase (decrease) in net assets before interfund transfers	(10,796,894)	1,200,015	11,606,204	2,009,325
Interfund transfers:				
Depreciation	4,236,569		(4,236,569)	
Home operations support	7,203,819	(1,574,797)	(5,629,022)	
Increase (decrease) in net assets	643,494	(374,782)	1,740,613	2,009,325
Net assets (deficit), beginning of year	(3,385,272)	779,653	113,095,191	110,489,572
Net assets (deficit), end of year	\$ (2,741,778)	\$ 404,871	\$ 114,835,804	\$ 112,498,897

See Report of Independent Public Accountants.

