

Masonic Charity Foundation of New Jersey

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

Years Ended December 31, 2010 and 2009

MASONIC CHARITY FOUNDATION OF NEW JERSEY

INDEX

	<u>Page</u>
Report of Independent Public Accountants	2
Statements of Financial Position December 31, 2010 and 2009	3
Statements of Activities and Changes in Net Assets Years Ended December 31, 2010 and 2009	4-5
Statements of Cash Flows Years Ended December 31, 2010 and 2009	6
Notes to Financial Statements Years Ended December 31, 2010 and 2009	7-37
Statements of Financial Position by Fund December 31, 2010 and 2009	38-39
Statements of Activities and Changes in Net Assets (Deficit) by Fund Years Ended December 31, 2010 and 2009	40-41
Statements of Functional Expenses - Home Operations Fund Years Ended December 31, 2010 and 2009	42-43

Report of Independent Public Accountants

To the Board of Trustees
Masonic Charity Foundation of New Jersey

We have audited the accompanying statements of financial position of Masonic Charity Foundation of New Jersey (the "Foundation") as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years 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 audits.

We conducted our audits 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 audits 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, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental statements on pages 38 to 43 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 audits 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.

 J.H. Cohn LLP

Eatontown, New Jersey
April 7, 2011

MASONIC CHARITY FOUNDATION OF NEW JERSEY

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009**

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 6,870,014	\$ 14,004,570
Pledges and bequests receivable - current portion	1,523,167	2,735,263
Accounts receivable, net	2,649,514	4,458,903
Grand Lodge receivable	472,490	958,580
Inventory	161,544	139,756
Prepaid expenses and other current assets	170,646	113,182
Assets limited as to use, under indenture agreement:		
Interest fund	96,855	192,600
Bond fund	1,304,228	1,087,334
Accrued investment income	33,270	117,394
Total current assets	<u>13,281,728</u>	<u>23,807,582</u>
Investments	71,253,592	59,194,251
Assets limited as to use, under indenture agreement	3,600,738	3,597,091
Land, buildings and equipment, net	75,796,161	79,278,490
Beneficial interest in perpetual trusts	3,160,000	2,767,000
Pledges and bequests receivable - noncurrent portion	2,538,970	
Note receivable		1,272,917
Deferred financing fees, net	251,760	271,104
Residents' assets held	1,629,001	3,253,254
Other noncurrent assets	106,900	106,900
Totals	<u>\$ 171,618,850</u>	<u>\$ 173,548,589</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current portion of bonds payable	\$ 1,150,000	\$ 1,100,000
Accounts payable	380,906	712,058
Accrued expenses	2,508,945	2,901,928
Total current liabilities	<u>4,039,851</u>	<u>4,713,986</u>
Bonds payable	43,860,224	45,034,304
Accrued pension	5,760,341	5,214,453
Deferred gift plans support	2,763,754	2,833,695
Residents' funds	1,629,001	3,253,254
Total liabilities	<u>58,053,171</u>	<u>61,049,692</u>
Commitments and contingencies		
Net assets:		
Unrestricted	96,781,281	97,856,191
Temporarily restricted	4,357,307	3,076,142
Permanently restricted	12,427,091	11,566,564
Total net assets	<u>113,565,679</u>	<u>112,498,897</u>
Totals	<u>\$ 171,618,850</u>	<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, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support:				
Contributions, donations, annual appeal and bequests	<u>\$ 4,322,472</u>	<u>\$ 774,079</u>	<u>\$ 723,489</u>	<u>\$ 5,820,040</u>
Revenue:				
Services for residents	38,095,099			38,095,099
Less allowances	<u>(9,044,652)</u>			<u>(9,044,652)</u>
Net revenue from services for residents	29,050,447			29,050,447
Grand Lodge fees	443,700			443,700
Investment income	1,651,803	86,454		1,738,257
Net realized and unrealized gains on investments	5,370,590	154,633		5,525,223
Change in value of split interest agreements		38,004		38,004
Change in beneficial interest in perpetual trusts		255,962	137,038	393,000
Miscellaneous	385,583			385,583
Net assets released from restrictions	<u>27,967</u>	<u>(27,967)</u>		
Total support and revenue	<u>41,252,562</u>	<u>1,281,165</u>	<u>860,527</u>	<u>43,394,254</u>
Expenses:				
Program services:				
Home operations	34,965,787			34,965,787
Hospice	1,570,291			1,570,291
Educational grants and scholarships	26,338			26,338
Outreach program	3,090			3,090
Community education programs	33,111			33,111
Miscellaneous	200			200
Support services:				
Interest	2,286,442			2,286,442
Investment expenses	304,207			304,207
Public relations and development	497,765			497,765
Management fee	1,438,993			1,438,993
Miscellaneous	<u>655,360</u>			<u>655,360</u>
Total expenses	<u>41,781,584</u>			<u>41,781,584</u>
Change in net assets before pension liability adjustment	(529,022)	1,281,165	860,527	1,612,670
Pension liability adjustment	<u>545,888</u>			<u>545,888</u>
Change in net assets	(1,074,910)	1,281,165	860,527	1,066,782
Net assets, beginning of year	<u>97,856,191</u>	<u>3,076,142</u>	<u>11,566,564</u>	<u>112,498,897</u>
Net assets, end of year	<u>\$ 96,781,281</u>	<u>\$ 4,357,307</u>	<u>\$ 12,427,091</u>	<u>\$ 113,565,679</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	39,367,186			39,367,186
Less allowances	<u>(14,315,757)</u>			<u>(14,315,757)</u>
Net revenue from services for residents	25,051,429			25,051,429
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>39,805,748</u>	<u>1,514,261</u>	<u>392,870</u>	<u>41,712,879</u>
Expenses:				
Program services:				
Home operations	34,788,515			34,788,515
Hospice	399,519			399,519
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>40,137,573</u>			<u>40,137,573</u>
Change in net assets before pension liability adjustment	(331,825)	1,514,261	392,870	1,575,306
Pension liability adjustment	<u>(434,019)</u>			<u>(434,019)</u>
Change 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

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
Operating activities:		
Change in net assets	\$ 1,066,782	\$ 2,009,325
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,035,384	4,262,195
Amortization of bond premium	(24,080)	(25,994)
Amortization of deferred financing fees	19,344	34,863
Net realized and unrealized gain on investments	(5,525,223)	(7,501,986)
Change in accrued pension liability	545,888	(434,019)
Change in beneficial interest in perpetual trusts	(393,000)	(1,600,000)
Bad debt expense	1,765,734	570,243
Changes in operating assets and liabilities:		
Pledges and bequests receivable	(1,326,874)	435,447
Accounts receivable	43,655	(778,636)
Grand Lodge receivable	486,090	(409,916)
Inventory	(21,788)	48,623
Prepaid expenses and other current assets	(53,658)	(5,982)
Accrued investment income	84,124	(39,031)
Accounts payable	(331,152)	(336,699)
Accrued expenses	(392,983)	798,713
Deferred gift plans support	(69,941)	104,659
Other noncurrent assets		(106,900)
Net cash used in operating activities	(91,698)	(2,975,095)
Investing activities:		
Purchases of investments	(40,323,666)	(40,515,267)
Proceeds from sale or maturity of investments	33,789,548	50,586,092
Increase in assets limited as to use, under indenture agreement	(124,796)	(28,127)
Accrued interest		(55,979)
Proceeds from notes receivable	1,269,111	
Acquisition of property and equipment	(553,055)	(385,877)
Net cash provided by (used in) operating activities	(5,942,858)	9,600,842
Financing activities - principal payments on bonds	(1,100,000)	(1,055,000)
Net increase (decrease) in cash and cash equivalents	(7,134,556)	5,570,747
Cash and cash equivalents, beginning of year	14,004,570	8,433,823
Cash and cash equivalents, end of year	\$ 6,870,014	\$ 14,004,570
Supplemental disclosure of cash flow data:		
Interest paid	\$ 2,438,628	\$ 2,531,051

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. 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 including receiving, maintaining and administering endowments and funds exclusively for charitable, benevolent and medical purposes.

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. Hospice care is available for individuals with life limiting illnesses.

Any interfund 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.

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 as follows:

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. 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.

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, pledges and bequests receivable, 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.

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 statements 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 primarily by a professional money management firm, 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 statements of financial position.

Investments in alternative investments are reported at fair value in the accompanying statements of financial position and represent investments in 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.

Amounts can be divested only at specified dates established by the fund manager. At December 31, 2010 and 2009, the Foundation did not have future commitments to invest in additional alternative investments. The value of the alternative investments presented in the statements of financial position reflects the value of the funds as of December 31, 2010 and 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, 2010 and 2009.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

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

Fair value measurements:

The Foundation's material financial instruments at December 31, 2010 and 2009 for which disclosure of estimated fair value is required by certain accounting standards consisted of cash and cash equivalents, accounts receivable, notes receivable, marketable securities, accounts payable and notes payable to unrelated parties. The fair values of cash and cash equivalents, accounts receivable and accounts payable are equal to their carrying value because of their liquidity and short-term maturity. Marketable securities are stated at fair value based on quoted market values. The Foundation has also applied this pronouncement to the valuation of the liability related to split interest agreements which are recorded at fair value, and are equal to the present value calculation.

Assets limited as to use:

The Foundation separately accounts for and reports various funds which have been designated by the Board of Trustees for specific purposes. These assets are recorded at fair value which is determined by reference to quoted market prices at December 31, 2010 and 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 cash equivalents. 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 statements 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 statements of financial position. The Foundation's policy is to record estate bequests upon the death of the donor and when amounts can be estimated. Estate bequests and their related revenue are recorded at present value. Discounts are computed using the assumptions made by management regarding the market and ultimate collectability of the receivables.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

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

Estate bequests (concluded):

The total of the net bequests receivable as of December 31, 2010 and 2009 is approximately \$4,100,000 and \$2,700,000, respectively. During the years ended December 31, 2010 and 2009, approximately \$700,000 and \$190,000, respectively, has been recorded as permanently restricted contribution income in accordance with donors' stipulations.

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 \$250,000 and \$270,000 at December 31, 2010 and 2009, respectively, has been recorded and included in deferred gift plans support in the statements of financial position. The calculation was based on a rate of return of 1.9% and the Annuity 2000 Mortality Table.

Split-interest agreements:

The Foundation provides programs to fund gift annuity contracts for individuals desiring to participate. The amounts deposited under these agreements are recorded in the Corporate Fund. The Foundation is required, by state mandate, to establish a reserve which amounts to approximately \$2,500,000 and \$2,600,000 at December 31, 2010 and 2009, respectively, which is included in deferred gift plan support in the statements of financial position. The calculation was based on a rate of return of 1.9% 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 statements 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 2009.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

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

Endowment funds:

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 Board of Trustees has determined that the majority of the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

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 change in net assets 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. Significant renewals and improvements are capitalized.

The Foundation reviews long-lived assets for impairment using an undiscounted cash flow method whenever events or circumstances indicate the carrying value of an asset may not be recoverable. There were no impairment losses related to long-lived assets as of December 31, 2010 and 2009.

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 2010 and 2009, the Foundation recorded approximately \$440,000 and \$510,000 respectively, of income related to such fees. At December 31, 2010 and 2009, the amount due from the Grand Lodge was approximately \$470,000 and \$960,000, respectively.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

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

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 \$19,000 and \$35,000 in 2010 and 2009, respectively.

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 2007 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.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

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

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 statements 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, which amounted to approximately \$5,500,000 and \$7,900,000 for the years ended December 31, 2010 and 2009, respectively. 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.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

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

Services for residents (continued):

The Foundation provides care to residents under the Medicare and Medicaid programs. Revenue from the Medicare and Medicaid programs accounted for approximately 56% and 50% of the revenue from services to residents for the years ended December 31, 2010 and 2009, respectively. 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 statements of operations and changes in net assets in the year of the settlement. No material amounts related to prior year settlements were recorded during 2010 or 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 marketing as incurred. Advertising and promotion costs charged to operations were approximately \$110,000 and \$140,000 for the years ended December 31, 2010 and 2009, respectively.

Reclassifications:

Certain amounts in the 2009 financial statements have been reclassified to conform to the current year's presentation.

Subsequent events:

The Foundation has evaluated subsequent events through April 7, 2011, which is the date the financial statements were available to be issued.

Note 3 - Pledges and bequests receivable:

Pledges and bequests are recorded at their estimated fair value with amounts due later than one year at the present value of estimated future cash flows using the risk-adjusted interest rates ranging from .63% to 4.75% and are as follows:

	<u>2010</u>	<u>2009</u>
Less than one year	\$1,574,937	\$2,735,263
One to five years	2,479,000	
After five years	<u>310,000</u>	
Subtotal	4,363,937	2,735,263
Unamortized discount	<u>(301,800)</u>	
Present value of pledges and bequests receivable	4,062,137	2,735,263
Less current portion	<u>1,523,167</u>	<u>2,735,263</u>
Long-term portion	<u>\$2,538,970</u>	<u>\$ -</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 4 - Accounts receivable:

Accounts receivable consist of the following:

2010				
Accounts Receivable	Home Operations	Corporate	Hospice	Totals
Medicaid	\$ 994,241		\$182,951	\$1,177,192
Medicare	348,062		175,632	523,694
Trust residents	91,188			91,188
Self-pay residents	1,850,033			1,850,033
Other	<u>270,928</u>	<u>\$ 59</u>	<u>17,778</u>	<u>288,765</u>
Totals	3,554,452	59	376,361	3,930,872
Allowance				
Self-pay residents	(951,161)			(951,161)
Other	<u>(330,197)</u>			<u>(330,197)</u>
Totals	<u>\$2,273,094</u>	<u>\$ 59</u>	<u>\$376,361</u>	<u>\$2,649,514</u>
2009				
Accounts Receivable	Home Operations	Corporate	Hospice	Totals
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
Allowance				
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>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 4 - Accounts receivable (concluded):

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

	<u>2010</u>	<u>2009</u>
Medicaid	30%	20%
Medicare	13	16
Self-pay residents and other	<u>57</u>	<u>64</u>
Balance, end of year	<u>100%</u>	<u>100%</u>

Note 5 - Investments, assets limited as to use and residents' assets held:

	2010		
Description	Fair Value	Cost	Unrealized Gain (Loss)
Fixed Income	\$ 1,071,659	\$ 1,061,861	\$ 9,798
Corporate and international bonds	1,136,510	1,217,748	(81,238)
U.S. Government obligations	485,286	478,302	6,984
Mortgage/asset-backed securities	361,531	342,751	18,780
Equity securities	29,959,275	25,981,327	3,977,948
Commodity funds	1,094,120	1,208,146	(114,026)
Alternative investments	11,167,262	9,809,187	1,358,075
Guaranteed investment contracts	3,600,738	3,600,738	
Mutual funds	<u>26,046,494</u>	<u>25,412,926</u>	<u>633,568</u>
Totals	74,922,875	69,112,986	5,809,889
Cash	<u>2,961,539</u>	<u>2,961,539</u>	_____
Totals	<u>\$77,884,414</u>	<u>\$72,074,525</u>	<u>\$5,809,889</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 5 - Investments, assets limited as to use and residents' assets held (continued):

Description	2009		
	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	<u>5,935,915</u>	<u>5,926,844</u>	<u>9,071</u>
Totals	65,204,302	63,112,432	2,091,870
Cash	<u>2,120,228</u>	<u>2,120,228</u>	
Totals	<u>\$67,324,530</u>	<u>\$65,232,660</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. There have been no changes in the methodologies used at December 31, 2010 and 2009.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 5 - Investments, assets limited as to use and residents' assets held (continued):

Fixed income securities are valued at the closing price reported on the active market on which the individual securities are traded. These investments are categorized as either financials or services.

Corporate and international bonds are defined as debt and the fair value is based on quoted prices from active markets, or significant inputs are observable or can be derived principally from or corroborated with observable market data.

U.S. Government obligations are fixed income including debt instruments issued by U.S. Government 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 ("NAV") of shares held by the Foundation at year end.

The fair value of alternative investments is based on the 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.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 5 - Investments, assets limited as to use and residents' assets held (continued):

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

	2010			
	Total	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Observable Inputs Level 2	Significant Other Observable Inputs Level 3
Fixed income:				
Financials	\$ 1,046,159	\$ 1,046,159		
Services	<u>25,500</u>	<u>25,500</u>		
	<u>1,071,659</u>	<u>1,071,659</u>		
Stock, options and ETFs:				
Capital goods	3,100,123	3,100,123		
Conglomerates	74,244	74,244		
Consumer cyclical	2,754,758	2,754,758		
Consumer non-cyclical	2,381,369	2,381,369		
Energy	2,943,785	2,943,785		
Financials	3,944,086	3,944,086		
Healthcare	2,511,524	2,511,524		
Materials	2,614,458	2,614,458		
Services	2,908,505	2,908,505		
Technology	4,996,799	4,996,799		
Transportation	51,453	51,453		
Utilities	1,189,464	1,189,464		
ETF	<u>488,707</u>	<u>488,707</u>		
Totals	<u>29,959,275</u>	<u>29,959,275</u>		
Mutual funds:				
Equity	5,577,267	5,577,267		
Fixed income	<u>20,469,227</u>	<u>20,469,227</u>		
Totals	<u>26,046,494</u>	<u>26,046,494</u>		
Commodity funds	1,094,120	1,094,120		
U.S. Government obligations	485,286		\$ 485,286	
Mortgage/asset-backed securities	361,531		361,531	
Guaranteed investment contracts	3,600,738			\$ 3,600,738
Corporate and international bonds	1,136,510		1,136,510	
Investments in limited partnerships:				
Funds of funds	<u>11,167,262</u>			<u>11,167,262</u>
Total investments	<u>\$74,922,875</u>	<u>\$58,171,548</u>	<u>\$1,983,327</u>	<u>\$14,768,000</u>
Deferred gift plans support	<u>\$ (2,763,754)</u>			<u>\$ (2,763,754)</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 5 - Investments, assets limited as to use and residents' assets held (continued):

2009				
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	<u>\$65,204,302</u>	<u>\$37,877,594</u>	<u>\$12,087,467</u>	<u>\$15,239,241</u>
Deferred gift plans support	<u>\$(2,833,695)</u>			<u>\$(2,833,695)</u>

The following tables set forth the changes in the fair value of the Foundation's Level 3 assets for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$12,405,546	\$14,193,710
Net realized and unrealized gains included in the statements of activities	672,419	1,821,346
Purchases, sales, settlements (net)	(1,143,660)	(3,504,851)
Change in gift annuity liability	<u>69,941</u>	<u>(104,659)</u>
Balance, end of year	<u>\$12,004,246</u>	<u>\$12,405,546</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 5 - Investments, assets limited as to use and residents' assets held (continued):

	<u>2010</u>	<u>2009</u>
<p>The amount of total gains for the years ended December 31, 2010 and 2009 included in unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date</p>	<u>\$606,103</u>	<u>\$1,298,589</u>

Net asset value per share:

The Foundation expanded its disclosures to include fair value, unfunded commitment, redemption frequency and redemption notice period for those investments that do not have a readily determinable fair value and whose fair value is estimated using the NAV per share as of December 31, 2010.

These investments are as follows:

	<u>Unfunded Fair Value</u>	<u>Redemption Commitment</u>	<u>Redemption Frequency</u>	<u>Notice Period</u>
Alternative investments:				
Aurora Offshore Fund Ltd. II	\$ 9,226,770	None	Quarterly	95 Days
Selectinvest Multistrategy Ltd.	1,427,585	None	Quarterly	95 Days
Hatteras	<u>512,907</u>	None	Quarterly	65 Days
Total	<u>\$11,167,262</u>			

Aurora Offshore Fund Ltd. II:

This fund is organized to invest and trade directly and indirectly in securities and other financial instruments through advisory accounts and investments in other private investment funds. The Fund's investment objective is to generate consistent long-term capital appreciation with low volatility and little correlation with the equity and bond markets through a portfolio having a diversified risk profile.

Selectinvest Multistrategy Ltd:

This fund's investment objective is to develop and actively maintain an investment portfolio of alternative asset managers that will seek to earn above-average, risk-adjusted, long-term returns that have a low correlation to traditional equity and fixed income markets.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 5 - Investments, assets limited as to use and residents' assets held (concluded):

Net asset value per share (concluded):

Hatteras:

The investment objectives of this fund are to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger endowments through investments in various asset classes.

Note 6 - 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 6 - 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 its annual budget and as needed on a monthly basis with the proper authorization prior to making any distributions. For 2010 and 2009, that amount was recommended 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 is as follows:

	2010			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Donor-restricted endowment funds		\$4,191,210	\$12,427,091	\$16,618,301
Board-designated endowment funds	<u>\$59,718,677</u>			<u>59,718,677</u>
Total funds	<u>\$59,718,677</u>	<u>\$4,191,130</u>	<u>\$12,427,091</u>	<u>\$76,336,978</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 6 - Endowment (concluded):

	2009			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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>

Changes in endowment net assets are as follows:

	2010			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$55,639,083	\$2,948,019	\$11,566,564	\$70,153,666
Contributions	1,988,536	774,080	723,489	3,486,105
Investment income	2,435,300	86,454		2,521,754
Net appreciation	5,655,758	154,633		5,810,391
Gain on perpetual trusts		255,962	137,038	393,000
Amounts appropriated for expenditure	<u>(6,000,000)</u>	<u>(27,938)</u>		<u>(6,027,938)</u>
Endowment net assets, end of year	<u>\$59,718,677</u>	<u>\$4,191,210</u>	<u>\$12,427,091</u>	<u>\$76,336,978</u>

Changes in endowment net assets are as follows:

	2009			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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 7 - Note receivable:

During 2008, the Foundation advanced funds to the Historic Trenton Masonic Temple (the Temple) in exchange for a demand note in the amount of \$1,200,000 bearing interest at 4.60%. The note was repaid on October 4, 2010 plus interest through the notes anniversary of September 10. Interest of \$3,806 through date of repayment is recorded as a note receivable and is included in prepaid expenses and other current assets. The Foundation recognized approximately \$56,000 of interest income related to the note during each of 2010 and 2009.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8 - Land, buildings and equipment:

Land, buildings and equipment consist of the following:

	2010	2009
Land	\$ 5,269,180	\$ 5,473,336
Buildings and Improvements	111,322,589	112,642,558
Furniture and fixtures	18,270,017	21,705,074
Motor vehicles	911,377	1,109,051
Hospice	98,438	98,438
	135,871,601	141,028,457
Less accumulated depreciation	(61,188,183)	(62,705,465)
	74,683,418	78,322,992
Construction in progress	1,112,743	955,498
Totals	\$ 75,796,161	\$ 79,278,490

Depreciation expense during 2010 and 2009 was \$4,035,384 and \$4,262,195, respectively. Construction in progress relates to costs incurred for future projects of the Foundation. Assets classified as construction in progress are not currently being used by the Foundation. The Foundation will start depreciation once the asset is placed in service. During 2010, the Foundation wrote off approximately \$5,500,000 of fully depreciated assets which were no longer in use.

Note 9 - 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.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 9 - Bonds payable (continued):

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.

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 years ended December 31, 2010 and 2009.

At December 31, 2010 and 2009, the net unamortized premium related to the 2002 Bonds and 2001 Bonds is approximately \$300,000 and \$330,000, respectively. Amortization amounted to approximately \$24,000 and \$26,000 in 2010 and 2009, respectively.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 9 - Bonds payable (concluded):

Principal payment requirements for the above bonds in each of the five years subsequent to December 31, 2010 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$1,150,000
2012	1,205,000
2013	1,265,000
2014	1,330,000
2015	1,410,000

Note 10- 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, mutual funds, 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:

Change in projected benefit obligation:

	<u>2010</u>	<u>2009</u>
Projected benefit obligation, beginning of year	\$18,374,618	\$17,171,302
Interest cost	1,079,541	1,054,167
Actuarial loss	1,340,296	1,003,055
Benefits paid	(975,488)	<u>(853,906)</u>
Projected benefit obligation, end of year	<u>\$19,818,967</u>	<u>\$18,374,618</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 10- Pension plan (continued):

	<u>2010</u>	<u>2009</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$13,160,165	\$11,522,830
Actual return on plan assets	988,949	2,066,748
Employer contributions	885,000	602,213
Disbursements	<u>(975,488)</u>	<u>(1,031,626)</u>
Fair value of plan assets at end of year	14,058,626	13,160,165
Fund status at end of year	<u>(5,760,341)</u>	<u>(5,214,453)</u>
Totals	<u>\$ 8,298,285</u>	<u>\$ 7,945,712</u>

Amounts recognized in the statements of financial position:

	<u>2010</u>	<u>2009</u>
Non-current liabilities	<u>\$5,760,341</u>	<u>\$5,214,453</u>

Amounts recognized in unrestricted net assets, unrestricted:

	<u>2010</u>	<u>2009</u>
Unrecognized net loss	<u>\$7,735,177</u>	<u>\$6,724,783</u>

An actuarial loss of \$584,089 is expected to be recognized in net periodic pension cost in the next fiscal year.

The accumulated benefit obligation was \$19,818,967 and \$18,374,618 at December 31, 2010 and 2009, respectively.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 10- Pension plan (continued):

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

	2010	2009
Interest cost	<u>\$ 1,079,541</u>	<u>\$ 1,054,167</u>
Expected return on plan assets	<u>\$(1,112,698)</u>	<u>\$(1,062,908)</u>

The components of net periodic pension credit are as follows:

	2010	2009
Amortization of net loss	<u>\$453,651</u>	<u>\$479,544</u>
Net periodic pension credit	<u>\$420,494</u>	<u>\$470,803</u>

Weighted-average assumptions used to determine the benefit obligation are as follows:

	2010	2009
Discount rate	5.5%	6%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic (benefit) pension cost are as follows:

	2010	2009
Discount rate	6.00%	6.25%
Expected long-term rate of return on plan assets	8.50%	9.50%

The expected long-term rate of return on plan assets assumption of 8.5% in 2010 and 9.5% in 2009 was selected based on the expected rate of return of the plan assets.

The following table for the plan sets forth the actual asset allocation for plan assets which reflect the target asset allocations:

	2010	2009
Equity securities	48%	46%
Debt securities	38	6
Partnership	7	7
Other	<u>7</u>	<u>41</u>
Totals	<u>100%</u>	<u>100%</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 10- Pension plan (continued):

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 8.5% in 2010 and 9.50% in 2009 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>
2011	\$1,025,706
2012	1,107,134
2013	1,130,137
2014	1,152,393
2015	1,176,232
2016-2020	6,352,954

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 10- Pension plan (continued):

Plan assets carried at fair value at December 31, 2010 and 2009 are classified in the tables below in one of the three categories as described in Note 5:

	2010		
	Fair Value Measurements		
	Total	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Observable Inputs Level 2
			Significant Other Observable Inputs Level 3
Common stocks:			
Capital goods	\$ 172,760	\$ 172,760	
Conglomerates	49,191	49,191	
Consumer cyclical	238,397	238,397	
Consumer non-cyclical	614,455	614,455	
Energy	334,945	334,945	
Financials	371,238	371,238	
Healthcare	565,629	565,629	
Materials	163,160	163,160	
Services	630,545	628,357	\$ 2,188
Technology	1,022,136	1,022,136	
Utilities	174,969	174,969	
Totals	<u>4,337,425</u>	<u>4,335,237</u>	<u>2,188</u>
Mutual funds:			
Equity	2,326,778	2,326,778	
Fixed income	827,307	827,307	
Totals	<u>3,154,085</u>	<u>3,154,085</u>	
Commodity index fund	<u>131,414</u>	<u>131,414</u>	
U.S. Government securities:			
Agency bonds	1,146,935		1,146,935
Treasury bonds	706,963	706,963	
Totals	<u>1,853,898</u>	<u>706,963</u>	<u>1,146,935</u>
Corporate debt:			
Corporate bonds	2,543,045		2,543,045
Mortgages	78,720		78,720
Totals	<u>2,621,765</u>		<u>2,621,765</u>
Limited partnerships	<u>1,029,184</u>		<u>\$1,029,184</u>
Totals	<u>\$13,127,771</u>	<u>\$8,327,699</u>	<u>\$3,770,888</u> <u>\$1,029,184</u>

Included within total plan assets is \$930,855 of cash and cash equivalents.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 10- Pension plan (continued):

Description	2009			
	Fair Value Measurements			
	Total	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	<u>4,329,240</u>		<u>\$4,329,240</u>	
Total investments	<u>\$12,095,886</u>	<u>\$6,781,754</u>	<u>\$4,329,240</u>	<u>\$984,892</u>

Included within total plan assets is \$1,064,279 of cash and cash equivalents.

The following sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 984,892	\$885,720
Unrealized gain	<u>44,292</u>	<u>99,172</u>
Balance, end of year	<u>\$1,029,184</u>	<u>\$984,892</u>

The amount of total gains for the year ended December 31 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the report date

<u>\$ 44,292</u>	<u>\$ 99,172</u>
-------------------------	------------------

Net asset value per share:

The Foundation expanded its disclosures to include fair value, unfunded commitment, redemption frequency and redemption notice period for those investments that do not have a readily determinable fair value and whose fair value is estimated using the NAV per share as of December 31, 2010.

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 10- Pension plan (continued):

Hatteras:

The investment objectives of this fund are to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger endowments through investments in various asset classes.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited Partnership	\$1,029,184	None	Quarterly	95 Days

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 \$290,000 and \$340,000 during the years ended December 31, 2010 and 2009, respectively.

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 years ended December 31, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Administrative	\$ 2,549,766	\$ 2,845,606
Accounting	901,757	1,048,549
Information systems	694,508	660,703
Health care	14,891,962	14,769,309
Food service	4,125,685	4,330,631
Other services for residents	1,088,765	1,225,239
Housekeeping and laundry	1,514,890	1,739,214
Maintenance, building and grounds	3,390,407	3,257,335
Depreciation	4,035,384	4,236,569
Voluntary early retirement benefits	6,929	105,117
Bad debt	<u>1,765,734</u>	<u>570,243</u>
 Totals	 <u>\$34,965,787</u>	 <u>\$34,788,515</u>

Note 12- Temporarily restricted net assets:

Temporarily restricted net assets are as follows:

	<u>2010</u>	<u>2009</u>
Income restricted for scholarships	\$1,750,928	\$1,536,750
Income restricted for resident entertainment	450,877	11,269
Income restricted for resident financial needs	22,520	
Trust agreements and bequests	<u>2,132,982</u>	<u>1,528,123</u>
 Totals	 <u>\$4,357,307</u>	 <u>\$3,076,142</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 13- Donated property:

The Foundation owns 5 acres of property which it has leased in 2010 for \$1 a year to an unrelated third party. Management uses an estimated market rate per square foot to determine the fair value of the property. Management has recognized in-kind donation expense and rental income of \$240,000 for the year ended December 31, 2010.

Note 14- 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 years ended December 31, 2010 and 2009. Stop loss insurance over these limits is purchased through the benefits plan administrator. For the years ended December 31, 2010 and 2009, the Foundation recognized expense attributable to this plan of approximately \$2,878,000 and \$3,056,000, respectively.

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 2010 and 2009, the Foundation incurred approximately \$1,400,000 and \$1,100,000, respectively, of management fees to SSL which are reflected in the statements of activities and changes in net assets.

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, 2010**

	Home Operations Fund	Hospice Fund	Corporate Fund	Eliminations	Total
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 1,083,428	\$ 220,759	\$ 5,565,827		\$ 6,870,014
Pledges and bequests receivable - current portion			1,523,167		1,523,167
Accounts receivable, net	2,456,533	376,361	59	\$ (183,439)	2,649,514
Grand Lodge receivable	17,640		454,850		472,490
Inventory	161,544				161,544
Prepaid expenses and other assets	163,033		7,613		170,646
Assets limited as to use, under indenture agreement:					
Interest fund			96,855		96,855
Bond fund			1,304,228		1,304,228
Interfund receivable	1,418,877			(1,418,877)	
Accrued investment income			33,270		33,270
Total current assets	<u>5,301,055</u>	<u>597,120</u>	<u>8,985,869</u>	<u>(1,602,316)</u>	<u>13,281,728</u>
Investments			71,253,592		71,253,592
Assets limited as to use, under indenture agreement			3,600,738		3,600,738
Land, buildings and equipment, net		23,718	75,772,443		75,796,161
Beneficial interest in perpetual trusts			3,160,000		3,160,000
Pledges and bequests receivable - noncurrent portion			2,538,970		2,538,970
Deferred financing fees, net			251,760		251,760
Other noncurrent assets	106,900				106,900
Residents' assets held	1,629,001				1,629,001
Totals	<u>\$ 7,036,956</u>	<u>\$ 620,838</u>	<u>\$ 165,563,372</u>	<u>\$ (1,602,316)</u>	<u>\$ 171,618,850</u>
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>					
Current liabilities:					
Current portion of bonds payable			\$ 1,150,000		\$ 1,150,000
Accounts payable	\$ 213,932	\$ 9,641	157,333		380,906
Accrued expenses	2,202,985	215,384	274,015	\$ (183,439)	2,508,945
Interfund payable		1,398,398	20,479	(1,418,877)	
Total current liabilities	<u>2,416,917</u>	<u>1,623,423</u>	<u>1,601,827</u>	<u>(1,602,316)</u>	<u>4,039,851</u>
Bonds payable			43,860,224		43,860,224
Accrued pension	5,760,341				5,760,341
Deferred gift plans support			2,763,754		2,763,754
Residents' funds	1,629,001				1,629,001
Total liabilities	<u>9,806,259</u>	<u>1,623,423</u>	<u>48,225,805</u>	<u>(1,602,316)</u>	<u>58,053,171</u>
Net assets (deficit):					
Unrestricted	(2,769,303)	(1,002,585)	100,553,169		96,781,281
Temporarily restricted			4,357,307		4,357,307
Permanently restricted			12,427,091		12,427,091
Total net assets (deficit)	<u>(2,769,303)</u>	<u>(1,002,585)</u>	<u>117,337,567</u>	<u>-</u>	<u>113,565,679</u>
Totals	<u>\$ 7,036,956</u>	<u>\$ 620,838</u>	<u>\$ 165,563,372</u>	<u>\$ (1,602,316)</u>	<u>\$ 171,618,850</u>

See Report of Independent Public Accountants.

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	\$ 706,113	\$ 26,046	\$ 13,272,411	\$ 14,004,570
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:				
Interest fund			192,600	192,600
Bond fund			1,087,334	1,087,334
Accrued investment income			117,394	117,394
Total current assets	<u>5,077,537</u>	<u>380,350</u>	<u>18,349,695</u>	<u>23,807,582</u>
Investments			59,194,251	59,194,251
Assets limited as to use, under indenture agreement			3,597,091	3,597,091
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
Other noncurrent assets	106,900			106,900
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	<u>2,390,398</u>	<u>10,610</u>	<u>500,920</u>	<u>2,901,928</u>
Total current liabilities	2,711,762	18,756	1,983,468	4,713,986
Bonds payable			45,034,304	45,034,304
Accrued pension	5,214,453			5,214,453
Deferred gift plans support			2,833,695	2,833,695
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			11,566,564	11,566,564
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, 2010

	Home Operations Fund	Hospice Fund	Corporate Fund	Eliminations	Total
Unrestricted net assets:					
Support:					
Contributions, donations, annual appeal and bequests		\$ 4,725	\$ 4,317,747		\$ 4,322,472
Revenue:					
Services for residents	\$ 35,911,938	3,481,663		\$ (1,298,502)	38,095,099
Less allowances	(9,044,652)				(9,044,652)
Net revenue from services for residents	26,867,286	3,481,663		(1,298,502)	29,050,447
Grand Lodge fees			443,700		443,700
Investment income	52		1,651,751		1,651,803
Net realized and unrealized gains on investments			5,370,590		5,370,590
Miscellaneous	91,051		294,532		385,583
Net assets released from restrictions			27,967		27,967
Total unrestricted support and revenue	26,958,389	3,486,388	12,106,287	(1,298,502)	41,252,562
Expenses:					
Program services:					
Home operations	34,965,787				34,965,787
Hospice		2,868,793		(1,298,502)	1,570,291
Educational grants and scholarships			26,338		26,338
Outreach program			3,090		3,090
Community education programs			33,111		33,111
Miscellaneous			200		200
Support services:					
Interest			2,286,442		2,286,442
Investment expenses			304,207		304,207
Public relations and development			497,765		497,765
Management fees			1,438,993		1,438,993
Miscellaneous			655,360		655,360
Total expenses	34,965,787	2,868,793	5,245,506	(1,298,502)	41,781,584
Change in unrestricted net assets before pension liability adjustment	(8,007,398)	617,595	6,860,781		(529,022)
Pension liability adjustment	545,888				545,888
Change in unrestricted net assets	(8,553,286)	617,595	6,860,781		(1,074,910)
Temporarily restricted net assets:					
Support - contributions			774,079		774,079
Investment income			86,454		86,454
Net realized and unrealized gain on investments			154,633		154,633
Change in beneficial interest in perpetual trust			255,962		255,962
Change in split interest agreements			38,004		38,004
Net assets released from restrictions			(27,967)		(27,967)
Change in temporarily restricted net assets			1,281,165		1,281,165
Permanently restricted net assets:					
Support - contributions and bequests			723,489		723,489
Change in beneficial interest in perpetual trusts			137,038		137,038
Change in permanently restricted net assets			860,527		860,527
Change in net assets before interfund transfers	(8,553,286)	617,595	9,002,473		1,066,782
Interfund transfers:					
Depreciation	4,035,385		(4,035,385)		
Home operations support	4,490,376	(2,025,051)	(2,465,325)		
Change in net assets	(27,525)	(1,407,456)	2,501,763		1,066,782
Net assets (deficit), beginning of year	(2,741,778)	404,871	114,835,804		112,498,897
Net assets (deficit), end of year	\$ (2,769,303)	\$ (1,002,585)	\$ 117,337,567	\$ -	\$ 113,565,679

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	Eliminations	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		\$ (803,224)	39,367,186
Less allowances	<u>(14,315,757)</u>				<u>(14,315,757)</u>
Net revenue from services for residents	23,453,090	2,401,563		(803,224)	25,051,429
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			<u>284,784</u>		<u>284,784</u>
Total unrestricted support and revenue	<u>23,557,602</u>	<u>2,402,758</u>	<u>14,648,612</u>	<u>(803,224)</u>	<u>39,805,748</u>
Expenses:					
Program services:					
Home operations	34,788,515				34,788,515
Hospice		1,202,743		(803,224)	399,519
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			<u>410,295</u>		<u>410,295</u>
Total expenses	<u>34,788,515</u>	<u>1,202,743</u>	<u>4,949,539</u>	<u>(803,224)</u>	<u>40,137,573</u>
Change in unrestricted net assets before pension liability adjustment	(11,230,913)	1,200,015	9,699,073		(331,825)
Pension liability adjustment	<u>(434,019)</u>				<u>(434,019)</u>
Change in unrestricted net assets	<u>(10,796,894)</u>	<u>1,200,015</u>	<u>9,699,073</u>		<u>102,194</u>
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			<u>(284,784)</u>		<u>(284,784)</u>
Change in temporarily restricted net assets			<u>1,514,261</u>		<u>1,514,261</u>
Permanently restricted net assets:					
Support - contributions and bequests			192,870		192,870
Change in beneficial interest in perpetual trusts			<u>200,000</u>		<u>200,000</u>
Change in permanently restricted net assets			<u>392,870</u>		<u>392,870</u>
Change 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	<u>7,203,819</u>	<u>(1,574,797)</u>	<u>(5,629,022)</u>		
Change in net assets	643,494	(374,782)	1,740,613		2,009,325
Net assets (deficit), beginning of year	<u>(3,385,272)</u>	<u>779,653</u>	<u>113,095,191</u>		<u>110,489,572</u>
Net assets (deficit), end of year	<u>\$ (2,741,778)</u>	<u>\$ 404,871</u>	<u>\$ 114,835,804</u>	<u>\$ -</u>	<u>\$ 112,498,897</u>

See Report of Independent Public Accountants.

**MASONIC CHARITY FOUNDATION OF NEW JERSEY
STATEMENT OF FUNCTIONAL EXPENSES - HOME OPERATIONS FUND
YEAR ENDED DECEMBER 31, 2010**

	Administrative and General	Accounting	Information Systems	Medical Center	Residential	CPCH	Medical Health Center and Social Services	Food Service	Other Resident Services	Housekeeping and Laundry	Maintenance	Total
Salaries and wages:												
Executive and supervisory	\$ 618,278	\$ 157,836	\$ 228,827	\$ 303,561	\$ 81,270	\$ 91,427	\$ 734,388		\$ 188,219	\$ 140,460	\$ 187,622	\$ 2,731,888
Clerical	454,072	204,365		127,764		38,102	185,273		27,954			1,037,530
Clinical				6,520,922	133,506	770,873	186,546					7,811,847
Utility						60,183		\$ 1,393,559	483,588	751,179	471,123	3,159,632
Employee benefits:												
Social Security taxes	77,249	26,317	16,950	504,823	16,025	69,591	69,661	96,725	50,638	62,293	46,627	1,036,899
Disability	4,570	1,358	759	34,757	826	4,732	2,246	9,688	4,115	5,926	2,810	71,787
Unemployment	12,394	4,186	2,645	80,356	2,482	11,103	12,786	16,107	8,088	10,306	7,614	168,067
Pension	86,227	28,787	18,186	552,541	17,070	76,344	87,918	110,755	55,615	70,865	52,354	1,155,862
Other benefits	214,183	72,343	45,704	1,388,642	42,898	191,860	220,945	278,339	139,765	178,089	131,573	2,904,341
Clothing, shoes and dry cleaning									1,662			1,662
Dues and subscriptions	14,489	3,039					32,752					50,280
Equipment rental				64,986			11,041					76,027
Food and beverage								1,346,189				1,346,189
Gasoline and oil											20,198	20,198
Advertising	275	93	59		55	246	283	357	179	228	169	2,014
Marketing	108,301											108,301
Resident expense:												
Miscellaneous									3,813			3,813
Beauty and barber shop									717			717
Bunzl									26,929			26,929
Devotional									3,978			3,978
Motivation						7,143			3,183			3,183
Recreation and special events									33,575			33,575
Insurance	807,531								3,117			3,117
Management fees	24,627	294,328	26,870					614,958				810,648
Medical:												
Eyeglasses												832
Hospital							832					832
Laboratory							111,708					111,708
Pharmacy							23,764					23,764
Other outside medical fees							730,143					730,143
Miscellaneous	64,336	5,856	13,455	360,674	71,456	76,357	7,794	13,080	7,933	31,871	21,145	167,026
Postage	19,262			800								19,262
Trash removal												91,381
Office and E.D.P. supplies	11,384	4,011	1,597				14,281		40,620			31,273
TV contracts and repairs												40,620
Printing and stationery	3,611	818					585	11,715				16,729
Professional services:												
Consulting												66,977
Dentist							66,977					66,977
Ophthalmologist							117,476					117,476
Optometrist							19,862					19,862
Podiatrist							1,209					1,209
Attending physicians							5,332					5,332
Professional fees		84,056				3,056	102,470		9,055			102,470
Landscaping contract services												96,167
Repairs and maintenance	26,879	5,717	211,886	2,708			6,344	40,526		13,958	324,958	78,658
Supplies:												
Disposable												202,767
Groundskeeping								120,923		81,844	9,866	9,866
General								42,787		41,049	24,833	108,669
Linen								997		11,441		12,438
Medical												424,132
Maintenance					10,307	17,791	93,347				57,697	57,697
Telephone			127,570									128,350
Travel	3,098	8,647					1,341	780				13,086
Utilities								28,200		24,000	1,953,160	2,005,360
Depreciation												29,157,740
Voluntary early retirement benefit												4,035,384
Bad debt												1,765,734
	<u>\$ 2,549,766</u>	<u>901,757</u>	<u>\$ 694,508</u>	<u>\$ 10,245,221</u>	<u>\$ 375,895</u>	<u>\$ 1,419,564</u>	<u>\$ 2,851,282</u>	<u>\$ 4,125,685</u>	<u>\$ 1,088,765</u>	<u>\$ 1,514,890</u>	<u>\$ 3,390,407</u>	<u>\$ 34,965,787</u>

**MASONIC CHARITY FOUNDATION OF NEW JERSEY
STATEMENT OF FUNCTIONAL EXPENSES - HOME OPERATIONS FUND
YEAR ENDED DECEMBER 31, 2009**

	Administrative and General	Accounting	Information Systems	Medical Center	Residential	CPCCH	Medical Health Center and Social Services	Food Service	Other Services for Residents	Housekeeping and Laundry	Maintenance	Total
Salaries and wages:												
Executive and supervisory	\$ 643,317	\$ 332,242	\$ 223,555	\$ 362,754	\$ 132,816	\$ 151,675	\$ 751,888		\$ 215,294	\$ 178,428	\$ 230,595	\$ 3,222,564
Clerical	447,967	267,321		132,064	19,125	33,611	234,431					1,134,519
Clinical				6,277,822	163,907	791,679	282,070					7,495,478
Utility						62,381		\$ 1,422,014	513,509	739,737	485,074	3,222,715
Employee benefits:												
Social Security taxes	81,199	48,552	18,046	512,908	24,842	79,103	86,204	106,206	56,511	68,466	54,078	1,136,115
Disability	5,467	2,147	747	25,413	1,017	3,673	3,338	6,987	3,175	4,212	2,366	58,562
Unemployment	30,950	18,787	6,368	230,536	8,406	24,200	23,920	73,873	31,651	45,852	20,379	514,922
Pension	55,192	33,501	11,356	411,101	14,990	43,154	42,655	131,734	56,441	81,766	36,340	918,230
Other benefits	192,146	116,632	39,536	1,417,437	52,188	150,238	148,666	458,621	196,496	284,661	126,515	3,183,136
Clothing, shoes and dry cleaning									5,312			5,312
Dues and subscriptions	10,226	2,297	900				5,093					16,516
Equipment rental				77,318			4,733					82,051
Food and beverage								1,268,803			8,362	1,268,803
Gasoline and oil												8,362
Advertising	26	13	6		10	21	168	34	22	22	17	339
Marketing	137,235											137,235
Resident expense:												
Miscellaneous												10,597
Beauty and barber shop									10,597			10,597
Burial									4,423			4,423
Devotional									44,659			44,659
Motivation									4,063			4,063
Recreation and special events						4,814			35,707			40,521
Insurance	870,084						29,048		2,721			901,863
Management fees	33,173	125,048	20,773					586,853	9,336			775,183
Medical:												
Eyeglasses												9,575
Hospital												51,102
Laboratory												3,213
Pharmacy												551,310
Other outside medical fees												516,752
Miscellaneous												366,477
Postage	271,419	1,731	16,842	1,387	100	571	516,752	21,495	12,390	31,965	19,684	16,826
Trash removal	16,826											16,826
Office & E.D.P. supplies	9,557	4,394	1,681									86,988
TV contracts & repairs												31,879
Printing and stationery	4,042	875							21,888			21,888
Professional services:												14,683
Consulting												56,871
Dentist												42,327
Ophthalmologist												23,174
Optometrist												461
Podiatrist												14,980
Attending physicians												163,620
Professional fees									1,044			55,213
Landscaping contract services												302,227
Repairs and maintenance												591,579
Supplies:												
Disposable	31,863		195,494	5,661	1,205		6,979	36,022		12,128		213,951
Groundskeeping												14,284
General								131,260		82,691		102,290
Linen								36,340		34,072		73,120
Medical								8,894		64,226		481,931
Maintenance												46,687
Telephone	(25)	601	122,009				1,745	1,430				123,414
Travel	4,932		3,390									10,668
Utilities												1,878,806
	<u>\$ 2,845,606</u>	<u>\$ 1,048,549</u>	<u>\$ 660,703</u>	<u>\$ 10,159,436</u>	<u>\$ 5,191,119</u>	<u>\$ 1,459,622</u>	<u>\$ 2,631,132</u>	<u>\$ 4,330,631</u>	<u>\$ 1,225,239</u>	<u>\$ 1,739,214</u>	<u>\$ 1,826,606</u>	<u>\$ 29,876,586</u>
Depreciation												4,236,569
Voluntary early retirement benefit												105,117
Bad debt												570,243
Total												<u>\$ 34,788,515</u>

See Report of Independent Public Accountants.