

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION TOGETHER
WITH ACCOUNTANTS REVIEW REPORT

COMMON GROUND COMMUNITY
H.D.F.C., INC. AND AFFILIATES

June 30, 2007

CONTENTS

	<u>Page</u>
Accountants' Review Report	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position as of June 30, 2007	2
Consolidated Statement of Activities for the year ended June 30, 2007	3
Consolidated Statement of Cash Flows for the year ended June 30, 2007	4
Notes to Consolidated Financial Statements	5-18
Supplementary Information:	
Consolidating Schedule of Financial Position Information as of June 30, 2007	19
Consolidating Schedule of Activities Information for the year ended June 30, 2007	20

ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Common Ground Community H.D.F.C., Inc. and Affiliates:

We have reviewed the accompanying consolidated statement of financial position of Common Ground Community H.D.F.C., Inc. and Affiliates (collectively "Common Ground") as of June 30, 2007, and the related consolidated statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these consolidated financial statements is the representation of the management of Common Ground.

A review consists principally of inquiries of Common Ground personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

New York, New York
December 4, 2007

Common Ground Community H.D.F.C., Inc. and Affiliates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2007

ASSETS

Current assets:

Cash	\$ 523,979
Accounts receivable	1,767,268
Development fee receivable	2,147,655
Loans receivable - unconsolidated affiliates - current	1,420,413
Notes and interest receivable	108,143
Other current assets	477,728
Total current assets	<u>6,445,186</u>

Noncurrent assets:

Contractual reserves:	
Restricted cash	2,509,227
Investments	8,187,507
Total contractual reserves	<u>10,696,734</u>
Development costs	18,125,201
Investments at equity	2,402,390
Loan receivable - unconsolidated affiliates	4,644,682
Development fee receivable	3,464,127
Property and equipment, net	5,138,181
Total noncurrent assets	<u>44,471,315</u>
Total assets	<u>\$ 50,916,501</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Payables and accruals	\$ 1,382,980
Deferred revenue	109,972
Security deposits	215,537
Current portion of loans payable	580,580
Total current liabilities	<u>2,289,069</u>

Noncurrent liabilities - loans payable

	<u>16,718,576</u>
Total liabilities	<u>19,007,645</u>

Net assets:

Unrestricted:	
Available for operations	17,505,711
Contractual	12,785,278
Total unrestricted	<u>30,290,989</u>
Temporarily restricted	<u>1,617,867</u>
Total net assets	<u>31,908,856</u>
Total liabilities and net assets	<u>\$ 50,916,501</u>

The accompanying notes are an integral part of this consolidated financial statement.

Common Ground Community H.D.F.C., Inc. and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Contributions	\$ 2,066,301	\$ 1,771,185	\$ 3,837,486
Government grants and contracts	5,054,540	-	5,054,540
Management and partnership fees	1,636,852	-	1,636,852
Development fee	3,358,064	-	3,358,064
Rental revenue	1,729,019	-	1,729,019
Investment return	409,893	-	409,893
Other income	306,942	-	306,942
Loss on investment in partnership	(261)	-	(261)
Net assets released from restrictions	2,342,293	(2,342,293)	-
Total revenues and support	16,903,643	(571,108)	16,332,535
Expenses:			
Program services:			
Social services	8,069,647	-	8,069,647
Housing management and development	2,808,424	-	2,808,424
Total program services	10,878,071	-	10,878,071
Supporting services:			
General and administrative	2,589,743	-	2,589,743
Fundraising	709,373	-	709,373
Total supporting services	3,299,116	-	3,299,116
Total expenses	14,177,187	-	14,177,187
Change in net assets	2,726,456	(571,108)	2,155,348
Net assets, beginning of year	27,564,533	2,188,975	29,753,508
Net assets, end of year	\$ 30,290,989	\$ 1,617,867	\$ 31,908,856

The accompanying notes are an integral part of this consolidated financial statement.

Common Ground Community H.D.F.C., Inc. and Affiliates

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2007

Cash flows from operating activities:	
Increase in net assets	\$ 2,155,348
Depreciation and amortization	583,866
Changes in assets and liabilities:	
Decrease in accounts receivable	1,595,765
Increase in other current assets	(69,610)
Increase in development fee receivable	(2,715,373)
Decrease in payables and accruals	(149,826)
Increase in deferred revenue	9,972
Decrease in security deposits	(32,647)
Net cash provided by operating activities	<u>1,377,495</u>
Cash flows from investing activities:	
Sales of investments	273,534
Purchase of restricted investments	(1,650,912)
Change in restricted cash	1,627,720
Change in investment at equity	261
Capital expenditures	(610,300)
Change in development costs	5,128,948
Change in notes and interest receivable	(11,884)
Change in loans receivable-unconsolidated affiliates	1,639,513
Net cash provided by investing activities	<u>6,396,880</u>
Cash flows from financing activities:	
Repayments of loans	(18,646,984)
Proceeds from loans	11,121,279
Change in loans payable	(642,939)
Net cash used in financing activities	<u>(8,168,644)</u>
Net decrease in cash	(394,269)
Cash, beginning of year	<u>918,248</u>
Cash, end of year	<u>\$ 523,979</u>
Supplemental information:	
Interest paid	<u>\$ 789,162</u>

The accompanying notes are an integral part of this consolidated financial statement.

Common Ground Community H.D.F.C., Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE A - ORGANIZATION

Common Ground Community H.D.F.C., Inc. ("CGC") was organized on October 11, 1990, under Section 402 of the Not-for-Profit Corporation Law and pursuant to Article XI of the Private Housing Finance Law (Housing Development Fund Companies Law) of the State of New York. CGC is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the Internal Revenue Code. CGC is operated for the charitable purpose of rehabilitating, maintaining, and operating a low income housing project and to provide related social service programs to the tenants of "The Times Square," a single room occupancy housing project. CGC is financed principally by grants from community-based and governmental organizations, as well as fees received from developing and managing properties, and contributions from the general public.

Common Ground Ventures Corp. ("CGV"), was organized on January 25, 1993, under Section 402 of the Not-for-Profit Corporation Law. CGV is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the Internal Revenue Code. This entity holds the lease for a retail space, operated by Ben and Jerry Franchising, Inc.

Common Ground Jobs Training Corp. ("CGJTC"), formerly Times Square Jobs Training Corp., was organized on January 25, 1993, under Section 402 of the Not-for-Profit Corporation Law. CGJTC is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the Internal Revenue Code. CGJTC was formed and is operated for the charitable purpose of providing relief to the poor, distressed, and underprivileged, by providing extensive training in job and personal skills for the employees who are residents of supportive housing.

Times Square G.P. Corp. ("TSGP") was incorporated on January 15, 1993, under the laws of the State of New York. TSGP was formed to be the General Partner of the T.S. Hotel Limited Partnership ("TSHLP") which owns and operates "The Times Square."

Common Ground Community II H.D.F.C. ("CGC II") was organized on January 26, 1995, pursuant to Article XI of The Private Housing Finance Law and under Section 402 of the Not-for-Profit Corporation Law. CGC II is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the Internal Revenue Code. CGC II was formed and is operated for the charitable purpose of owning, rehabilitating, managing, maintaining, and operating a low income housing project and to provide related social service programs to the tenants at the Prince George Hotel. In addition, CGC II is also used to acquire properties for future development as low income housing units.

Common Ground Community H.D.F.C., Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE A (continued)

Common Ground Management Corp. ('CGM') was organized on January 26, 1995, under Section 402 of the Not-for-Profit Corporation Law. CGM is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the Internal Revenue Code. CGM was formed and is operated for the charitable purpose of managing low income housing projects and providing employment to underprivileged individuals in the housing management field. At this time, CGM is managing the Times Square Hotel, The Prince George, The Aurora, a special needs housing facility in NYC on behalf of The Actors' Fund of America, and the Windham House, a special needs housing facility in Connecticut on behalf of the Connecticut Housing and Financing Authority.

Common Ground of R.C. Corp. ('CGRC') was organized on August 6, 1999, under Section 402 of the Not-for-Profit Corporation Law. CGRC is a not-for-profit charitable organization exempt under Section 501(c)(3) of the Internal Revenue Code. This entity holds the apartment lease related to Common Grounds scatter site having activities.

Prince George G.P. Corp. ('PGGP') was incorporated on September 9, 1997, under the laws of the State of Delaware. PGGP was formed to be the General Partner of Prince George Associates LP ('PGALP'), which owns and operates The Prince George Hotel.

Common Ground Community III H.D.F.C. ('CGC III') was incorporated on October 24, 2000, under Section 402 of the Not-for-Profit Corporation Law of the State of New York. CGC III was formed for the charitable purpose of owning, rehabilitating, and operating a housing project at 206 West 24th Street, New York City (a building that was purchased through a loan from the City of New York Department of Housing Preservation and Development ('HPD')) which provides housing, access to job training, and employment services to qualifying young adults, formerly homeless, and low-income single adults.

Common Ground Community IV H.D.F.C. ('CGC IV') was incorporated on October 23, 2001, under Section 402 of the Not-for-Profit Corporation Law of the State of New York. CGC IV is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the Internal Revenue Code. CGC IV was formed for the charitable purpose of owning, rehabilitating, and operating a housing project at 197 Bowery, New York City. CGC IV will provide First Step Housing Models, also known as "lodging houses" or "flophouses," cubicle hotels that will supply inexpensive accommodation to individuals unable to afford an apartment.

410 Asylum Street, LLC (410 Asylum) is a Connecticut limited liability company that was set up to own the title and interest of the property that was donated to CCG by Capital Center LLC and was transferred to 410 Asylum Street, LLC via Quit Claim Deed on September 19, 2003. CGC is the sole member of the 410 Asylum Street, LLC.

Common Ground Community H.D.F.C., Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE A (continued)

Schermerhorn House H.D.F.C. (Schermerhorn) is a not-for-profit entity formed under Section 402 of the Not-for-Profit Corporation Law of the State of New York. Its purpose is to develop a 217 unit apartment building on Schermerhorn Street, Brooklyn, N.Y. for supportive housing designed to house formerly homeless and low-income single adults. The members of Schermerhorn are Common Ground Community Housing Fund Corporation, Inc. (51%) and the Actors' Fund of America (49%). Schermerhorn is the sole shareholder of Schermerhorn Housing Corp., the General Partner of Schermerhorn L.P.

Chelsea GP Corp. (CGP) was incorporated on January 9, 2003, under the laws of state of Delaware. CGP was formed to be the General Partner of the Chelsea Residence LP, which owns and operates The Christopher (CRLP).

St Mark's Brownsville Housing Development Fund Corporation (St. Marks) was incorporated on May 23, 2006, under Section 402 of the Not-for-Profit Corporation Law of the State of New York. St. Marks was formed to develop a 70 unit apartment building to house elderly or disabled persons of low income who require housing facilities and services specially designed to meet their physical, social and psychological needs.

CG Pitt Street H.D.F.C. (Pitt Street) is a not-for-profit entity formed on November 28, 2006, under Section 402 of the Not-for-Profit Corporation Law of the State of New York. Its purpose is to develop a 263 unit apartment building on Pitt St., Manhattan, NY for supportive housing designed to house formerly homeless and low-income single adults. The sole member of Pitt Street is Common Ground Community II H.D.F.C. Pitt Street is the sole shareholder of Pitt Street Housing Corp., the General Partner of Pitt Street L.P.

Brook Avenue H.D.F.C. (Brook Avenue) is a not-for-profit entity formed on November 1, 2006, under Section 402 of the Not-for-Profit Corporation Law of the State of New York. Its purpose is to develop a 190 unit apartment building on Brook Avenue., Manhattan, NY for supportive housing designed to house formerly homeless and low-income single adults. The sole member of Brook Avenue is Common Ground Community II H.D.F.C. Brook Avenue is the sole shareholder of CG Brook Avenue Housing Corp., the General Partner of Brook Avenue L.P.

Common Ground Windham LLC (Windham LLC) is a Connecticut limited liability company that was formed to manager real estate in the State of Connecticut. Common Ground management is the sole member of Windham LLC.

Common Ground Community H.D.F.C., Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE A (continued)

Common Ground Housing New Haven LLC (New Haven LLC) is a Connecticut limited liability company that was formed to develop single unit housing. Common Ground Community II H.D.F.C is the sole member of New Haven LLC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Financial Statement Presentation*

The accompanying consolidated financial statements of CGC and its affiliates (collectively, "Common Ground") have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the net assets of Common Ground and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets - represent expendable resources that are used to carry out the operations of Common Ground and are not subject to donor-imposed stipulations.

Temporarily restricted net assets - resources which contain donor-imposed restrictions that are satisfied either by the passage of time or by actions of Common Ground. The majority of Common Grounds temporarily restricted net assets are subject to time restrictions and are to be utilized in subsequent periods.

Permanently restricted net assets - resources which contain donor-imposed stipulations requiring that the corpus that be maintained in perpetuity, but permit Common Ground to expend all of the income there from for general or specific purposes.

Common Ground had no permanently restricted net assets at June 30, 2007.

2. *Principles of Consolidation*

The accompanying consolidated financial statements of Common Ground include the accounts of Common Ground Community H.D.F.C., Inc., Common Ground Ventures Corp., Common Ground Jobs Training Corp., Times Square G.P. Corp., Common Ground Community II H.D.F.C., Common Ground Management Corp., Common Ground of R.C. Corp., Prince George G.P. Corp., Common Ground Community III H.D.F.C., Common Ground Community IV H.D.F.C., 410 Asylum Street, LLC, Schermerhorn House H.D.F.C., Chelsea G.P. Corp., St. Marks Brownsville H.D.F.C., C.G. Pitt Street H.D.F.C., and Brook Avenue H.D.F.C. All inter-company transactions and accounts have been eliminated in consolidation.

Common Ground Community H.D.F.C., Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE B (continued)

3. *Investments at Equity*

CGCs 100% owned subsidiary, Times Square G.P. Corp., owns a .01% partnership interest in T.S. Hotel Limited Partnership ("TSHLP"). CGC II's majority-owned subsidiary, Prince George G.P. Corp., owns a .01% partnership interest in Prince George Associates Limited Partnership ("PGALP"). CGC III's majority-owned subsidiary, Chelsea G.P. Corp., owns a .01% partnership interest in the Chelsea Residence Limited Partnership ("CRLP"). Schermerhorn House HDfCs 100% owned subsidiary, Schermerhorn GP Corp., owns a .01% partnership interest in the Schermerhorn House Limited Partnership ("SHLP"). All of these investments are reported on the equity method of accounting.

4. *Revenue Recognition*

Unconditional promises to give are recognized as revenue when received. Management and partnership fees are recognized as earned. Revenue from government grants and contracts, the majority of which are cost reimbursable, is recognized as costs are incurred. Rental revenue includes rent from the operation of low income housing projects and is recognized when earned.

Common Ground earns fees for development of properties and recognizes these fees as earned on a percentage of completion basis.

5. *Donated Services*

A number of unpaid volunteers have made significant contributions of their time in the areas of program and supporting services. The value of such contributed time is not reflected in the accompanying consolidated financial statements, as it is not susceptible to objective measurement or valuation.

6. *Cash*

Common Ground maintains several bank accounts with a single financial institution. These accounts are insured by the Federal Deposit Insurance Corporation up to an aggregate amount of \$100,000 for each entity.

Common Ground Community H.D.F.C., Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE B (continued)

7. *Investments*

Investments consist of mutual funds and fixed income securities, and are reported at fair value. Realized and unrealized gains and losses, if any, are reflected in the accompanying consolidated statement of activities.

8. *Property and Equipment*

Property and equipment are recorded at cost or fair market value at date of contribution, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, as follows:

Building	40 years
Leasehold improvements	Shorter of asset life or life of lease
Equipment	3 years
Furniture	5 years

9. *Functional Allocation of Expense*

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

10. *Use of Accounting Estimates*

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Common Ground Community H.D.F.C., Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE C - CONTRACTUAL RESERVES

In its capacity as the sponsor of the Times Square Hotel, LP and the Prince George Associates LP., Common Ground has entered into certain agreements with the New York City Department of Housing and Development (HPD), the primary mortgage lender for the development of these respective projects. These agreements, among other things, require Common Ground to deposit a portion of its developer's fee earned from the development of these projects in specified reserve accounts. Use of reserves can be made only with the approval of HPD.

Restricted cash and investments at June 30, 2007, consisted of the following:

Mutual funds	\$ 5,860,648
Fixed income securities	2,326,859
Certificates of deposit and other restricted cash	<u>2,509,227</u>
Total	<u>\$ 10,696,734</u>

Investment return for the year ended June 30, 2007, consisted of the following:

Interest and dividends	\$ 396,681
Investment gain - realized	907
Investment gain - unrealized	<u>12,305</u>
Total	<u>\$ 409,893</u>

NOTE D - PROPERTY AND EQUIPMENT, NET

At June 30, 2007, property and equipment, net, consisted of the following:

Leasehold improvements	\$ 3,536,629
Equipment	1,010,512
Building and improvements	2,638,357
Furniture	<u>303,164</u>
	7,488,662
Less accumulated depreciation and amortization	<u>(2,350,481)</u>
	<u>\$ 5,138,181</u>

Depreciation expense totaled \$583,866 for the year ended June 30, 2007.

Common Ground Community H.D.F.C., Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE E - LOANS PAYABLE

At June 30, 2007, loans payable consisted of the following:

CGC:

4.5% interest-bearing loan, payable in semi-annual interest payments of \$15,187. Principal and interest balance is due September 30, 2008. (Calvert Social Investments Foundation)	\$ 675,000
4.25% interest-bearing loan, payable in monthly payment of principal and interest of \$3,753, beginning December 1, 2003. (Citibank)	123,564
4.5% interest-bearing loan, payable in semi-annual interest payment of \$4,500. Principal and interest balance is due October 15, 2009. (Mennonite Mutual Aid Community Investments Partners)	200,000
Revolving Line of Credit at LIBOR (5.35% at June 30, 2006), due April 21, 2007. (Mizuho Corporate Bank (USA))	2,499,119
\$1,000,000 revolving Line of Credit at Bank's Prime rate index (LIBOR of 5.35% at June 30, 2006). (JP Morgan Chase)	300,000
Revolving Line of Credit at LIBOR plus 2% (7.32% interest, due July 31, 2007). (Wachovia)	100,000
Non interest-bearing working capital loan, payable in equal installments of \$25,000, due October 15, 2007, 2008 and 2009. (Deutsche Bank)	75,000

CGC MGMT.:

2% interest-bearing, 3 year subordinated term-loan, due June 8, 2011. (Metlife, Altman Foundation, AXA Equitable Life Insurance Corp.)	1,500,000
7.18% interest term-loan, due December 30, 2012, interest payments only thru December 2007, then 59 principal payments of \$16,667 plus interest starting January 2008 to December 30, 2012. (HSBC)	1,000,000
LIBOR plus 1 ½% interest property acquisition line of credit, \$8 Million Deutsche Bank, due May 31, 2009. Loan is secured by liens recorded on properties acquired with funds from this credit facility.	3,108,489

Common Ground Community H.D.F.C., Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE E (continued)

Brook Avenue HDFC

0% Term Loan due December 31, 2008 from the New York City Department of
Housing Preservation and Development – (521 Brook Avenue property re-financing) \$ 3,816,359

New Haven LLC

6.5% \$310,000 line of credit from the Greater New Haven Loan fund (Kossuth St New
Haven property) 25,300

CGV:

5% interest-bearing loan, payable \$7,500 every July and January, beginning July 2002
through January 2008. (Corporation for Supportive Housing) 15,000

CGC IV:

Permanent Financing—Andrews constructions:
NYC Department of Housing Preservation and Development 818,703
NYS Homeless Housing Assistance Corporation 2,542,622
North Fork Bank (Federal Home Loan Bank) 500,000

Total loans payable 17,299,156

Less: current portion (580,580)
Long-term portion \$16,718,576

Scheduled maturities of the loans payable at June 30, 2007, follow:

Year ending June 30:	Amount
2008	\$ 580,580
2009	7,217,489
2010	3,639,542
2011	1,700,004
2012	200,004
Thereafter	<u>3,961,537</u>
	<u>\$ 17,299,156</u>

NOTE F - UNRESTRICTED CONTRACTUAL NET ASSETS

Under the terms of agreements with TSHLP; PGALP; CRLP; and HPD, certain earned fees are contractually restricted as to their use and are reported as increases in contractual unrestricted net assets. For the year ended June 30, 2007, unrestricted contractual net assets totaled \$12,785,278, as follows:

Common Ground Community H.D.F.C., Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE B (continued)

Contractual Reserves:	
a) For Times Square Hotel:	
Sponsor Reserve	\$ 4,637,598
Social Service Reserve	<u>3,032,538</u>
Total	<u>7,670,136</u>
b) For the Prince George:	
Sponsor Reserve	\$ 1,902,204
Social Service Reserve	<u>424,655</u>
Total	<u>2,326,859</u>
Total contractual reserves	<u>9,996,995</u>
Developers Fees:	
Prince George	1,438,003
Chelsea Residence LP	<u>868,962</u>
Total developers fees	<u>2,306,965</u>
Incentive Management Fee - Times Square Hotel, LP	<u>481,318</u>
Total unrestricted contractual net assets	<u>\$ 12,785,278</u>

NOTE G - RELATED-PARTY TRANSACTIONS

1. *Loans Receivable/Payable Consolidated Affiliates*

Amounts due from consolidated affiliated companies are noninterest-bearing and are due on demand. These amounts are eliminated upon consolidation.

2. *Loans Receivable-Unconsolidated Affiliates*

In its role as management agent of limited partnership owned properties, Common Ground often incurs costs on behalf of various properties for which it is reimbursed. The current portion of loans receivable relate to such advances. Long-term receivables relate to advances made to Limited Partnerships for which Common Ground serves as the General Partner and Sponsor of the partnership. These advances are generally related to funding additional costs incurred during the construction phase of a project.

Common Ground Community H.D.F.C., Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE G (continued)

Loans receivable unconsolidated affiliates - current (net):	
Times Square Hotel	\$ 558,921
Prince George	540,248
Chelsea Residence	(217,118)
Aurora Associates	9,352
Schermerhorn LP	307,928
Pitt Street, LP	167,751
Windham House (CHFA)	53,331
Total loans receivable unconsolidated affiliates - current	<u>\$ 1,420,413</u>
Loans receivable unconsolidated affiliates, long-term:	
Times Square Hotel	\$ 2,779,000
Prince George, Note	1,000,000
Schermerhorn LP	865,682
Total loans receivable unconsolidated affiliates - long-term	<u>\$ 4,644,682</u>

3. *Notes and Interest Receivable*

Notes and interest receivable of \$108,143 includes a note due from an entity of which a member of management is related to the President of CGC. The note bears interest at 4.5% per annum and is due upon the receipt of proceeds by the related party which is expected to occur in December 2007.

4. *Management and Partnership Fees*

As consideration for its services, CGM receives an 8% management fee and incentive management fees, and annual partnership administration fees for managing the rental operations of the following properties:

Name of Properties	
Management and incentive fees :	
Time Square Hotel	\$ 904,930
Prince George Hotel	297,201
Aurora Associates LP	117,659
The Christopher	143,824
Windham House	23,238
Total	<u>1,486,852</u>

Common Ground Community H.D.F.C., Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE G (continued)

Partnership administration and other fees:	
Times Square Hotel-Admin fee	\$ 50,000
Times Square Hotel-Guarantee fee	50,000
Prince George Hotel-Admin fee	<u>50,000</u>
Total	<u>150,000</u>
Total management and partnership fees	<u>\$ 1,636,852</u>

5. *Development Fees Receivable*

In its capacity as developer of low income housing, Common Ground earns fees for development services provided to related limited partnership entities. These fees are earned at various milestone stages of the project. Development fees receivables totaled \$5,611,782 as of June 30, 2007, as follows:

Development fee receivable, current:	
Chelsea (Christopher)	\$ 1,015,715
Prince George	237,461
Safe Harbor	<u>894,479</u>
Total	<u>\$ 2,147,655</u>
Development fee receivable, long-term:	
Prince George, LP	\$ 1,200,542
Schermerhorn, LP	2,204,760
Pitt Street, LP	<u>58,825</u>
Total	<u>\$ 3,464,127</u>

NOTE H - GOVERNMENT GRANTS AND CONTRACTS

Grants and contracts revenue for the year ended June 30, 2007, received by CGC from various New York City and State government agencies consisted of the following:

NYC Department of Homeless Services	\$ 4,389,732
NYC Office of Mental Health	204,333
NYS Housing and Urban Development	<u>460,475</u>
Total	<u>\$ 5,054,540</u>

Common Ground Community H.D.F.C., Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE I - DEFINED CONTRIBUTION PLAN

Common Ground has a 403(b) Tax Deferred Savings Plan (the "Plan") that covers all administrative employees. Under the terms of the Plan, an employee may contribute any amount that would not exceed the limitations provided in the Internal Revenue Code or otherwise disqualify the Plan or Trust. CGC contributed \$161,577 for the year ended June 30, 2007.

NOTE J - COMMITMENTS AND CONTINGENCIES

Common Ground leases office space for its headquarters and space for its social services programs under operating leases which expire at various dates through January 31, 2012, and is obligated to pay annual rentals plus an additional amount based upon escalations in real estate taxes, maintenance and utility costs. Rent expense totaled \$654,302 in 2007. The related future minimum lease payments as of June 30, 2007, follow:

<u>Year ending June 30:</u>	<u>Amount</u>
2008	\$ 660,342
2009	466,953
2010	477,964
2011	489,268
2012	285,702
Total	<u>\$ 2,380,229</u>

Common Ground, through its affiliates, is the General Partner of and Sponsor of the Chelsea Residence, L.P., Prince George Associates, L.P., T.S. Hotel, L.P., Schermerhorn L.P. and Pitt Street L.P. In its capacity as Sponsor, Common Ground has made guarantees to the limited partnerships stipulating that they will not be adversely affected by income tax credit recapture caused by the operation of these limited partnership, or by negative cash flows in excess of operating reserves. The guarantees of the Chelsea Residence, Prince George and T.S. Hotel limited partnerships, are limited to the greater of \$500,000 or the amount that has accumulated in each entity's Sponsor Reserve account. The guarantee of Schermerhorn is limited to \$730,000 or the amount of the cash paid for Development Fee. The guarantee of Pitt Street is limited to \$1,000,000 or the amount of the Sponsor Reserve. Such guarantees are further limited to a period of 15 years from the date of syndication. As of June 30, 2007, the contingent liability related to each of these respective entities was: Chelsea Residence, L.P. \$500,000, expiring 2018; Prince George \$1,902,204, expiring 2013, T.S. Hotel, L.P. \$4,637,598, expiring 2008, Schermerhorn L.P. \$300,000, expiring 2020 and Pitt Street L.P. \$400,000, expiring 2021. Common Ground does not believe that it will be liable under any of these guarantees and, therefore, has not recognized a liability for any of these guarantees at June 30, 2007.

Common Ground Community H.D.F.C., Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

NOTE J (continued)

In its capacity as developer of Schermerhorn L.P., CGC has issued a Construction Completion Guarantee in favor of JP Morgan Chase (JP Morgan). JP Morgan has issued a letter of credit to enhance the credit rating of a tax exempt bond offering by the City of New York, the proceeds of which will be used to finance the construction of this property. This guarantee will be fulfilled upon the issuance of a temporary certificate of occupancy for the building. Also related to the Schermerhorn project, Common Ground Community II HDFC has issued a guarantee of \$30 million for a construction loan from the New York City Housing Development Corporation, the proceeds of which were raised in the previously mentioned tax exempt bond offering. This guarantee will be relieved upon the permanent financing of the property which is expected to occur in June 2008.

In its capacity as developer of Pitt Street L.P., CGC has issued a Construction Completion Guarantee in favor of JP Morgan Chase (JP Morgan). JP Morgan has issued a letter of credit to enhance the credit rating of a tax exempt bond offering by the City of New York, the proceeds of which will be used to finance the construction of this property. This guarantee will be fulfilled upon the issuance of a temporary certificate of occupancy for the building. Also related to the Pitt Street project, Common Ground Community II HDFC has issued a guarantee of \$31 million for a construction loan from the New York City Housing Development Corporation, the proceeds of which were raised in the previously mentioned tax exempt bond offering. This guarantee will be relieved upon the permanent financing of the property which is expected to occur in June 2009.

NOTE K - SUBSEQUENT EVENT:

In July, 2007 the Board of Directors of Common Ground Community H.D.F.C. and the directors of its affiliated entities, elected to change the fiscal year of Common Ground and its affiliated entities from June 30 to December 31. December 31, 2007 will be the first fiscal reporting period for Common Ground and its affiliated entities, post the change from its June 30 fiscal year.

SUPPLEMENTARY INFORMATION

Common Ground Cor
CONSOLIDATING SCH
As

ASSETS	Common Ground Community H.D.F.C., Inc.	Common Ground Ventures Corporation	Common Ground Jobs Training Corporation	Times Square G.P. Corp.	Common Ground Management Corporation	Common Ground Community II H.D.F.C., Inc.	Common Ground of RC Corp.	Prince George G.P. Corp.
Current assets:								
Cash	\$ 140,482	\$ 7,867	\$ 13,948	\$ 1,786	\$ 312,807	\$ 390	\$ -	\$ 3,007
Accounts receivable	1,033,210	2,970	4,627	-	282,492	107,389	-	-
Development fee receivable	894,479	-	1,253,176	-	-	-	-	-
Loans receivable - consolidated affiliates	12,472,456	-	1,965,546	212,784	-	-	-	-
Loans receivable - unconsolidated affiliates - current	79,095	110	443,855	68,594	1,796,719	(628,451)	-	124,476
Notes and interest receivable	101,398	-	-	-	-	6,745	-	-
Other current assets	99,547	13,468	57,513	-	267,112	500	-	-
Total current assets	14,820,667	24,415	3,738,665	283,164	2,659,130	(513,427)	-	127,483
Noncurrent assets:								
Contractual reserves:								
Restricted cash	1,809,488	11,274	107,577	-	512,208	-	-	-
Investments	5,860,648	-	2,326,859	-	-	-	-	-
Total contractual reserves	7,670,136	11,274	2,434,436	-	512,208	-	-	-
Development costs	-	-	-	-	-	4,656,775	-	-
Investments at equity	135,759	-	-	(146,295)	-	115,298	-	(1,316)
Loans receivable - unconsolidated affiliates	3,644,682	-	-	-	-	1,000,000	-	-
Development fee receivable	2,204,760	-	1,200,542	-	9,000	58,825	-	-
Property and equipment, net	157,687	303,938	1,937,042	-	158,834	-	-	-
Total assets	\$ 28,633,691	\$ 339,627	\$ 9,310,685	\$ 136,869	\$ 3,339,172	\$ 5,317,471	\$ -	\$ 126,167
LIABILITIES AND NET ASSETS								
Current liabilities:								
Payables and accruals	\$ 307,284	\$ 16,432	\$ 13,207	\$ -	\$ 893,598	\$ 53,395	\$ -	\$ -
Deferred revenue	-	-	95,000	-	-	-	-	-
Loan payable-consolidated affiliates	-	541,035	-	-	1,806,253	1,800,730	282,072	12,990
Security deposits	11,507	21,864	150,192	-	7,396	5,000	-	-
Current portion of loans payable	465,580	15,000	-	-	100,000	-	-	-
Total current liabilities	784,371	594,331	258,399	-	2,807,247	1,859,125	282,072	12,990
Noncurrent liabilities - loans payable	3,507,103	-	-	-	5,508,489	-	-	-
Total liabilities	4,291,474	594,331	258,399	-	8,315,736	1,859,125	282,072	12,990
Net assets:								
Unrestricted:								
Available for operations	14,572,896	(254,704)	4,418,462	136,869	(4,976,564)	3,458,346	(282,072)	113,177
Contractual	8,151,454	-	4,633,824	-	-	-	-	-
Total unrestricted	22,724,350	(254,704)	9,052,286	136,869	(4,976,564)	3,458,346	(282,072)	113,177
Temporarily restricted	1,617,867	-	-	-	-	-	-	-
Total net assets	24,342,217	(254,704)	9,052,286	136,869	(4,976,564)	3,458,346	(282,072)	113,177
Total liabilities and net assets	\$ 28,633,691	\$ 339,627	\$ 9,310,685	\$ 136,869	\$ 3,339,172	\$ 5,317,471	\$ -	\$ 126,167

The accompanying accountants' review report should be read in conjunction with this schedule.

by HD.F.C., Inc. and Affiliates

STATE OF FINANCIAL POSITION

December 31, 2007

sea G.P. Corp.	Schermerhorn Housing Corp.	Pitt Street Housing Corp.	Common Ground Community III HD.F.C., Inc.	Common Ground Community IV HD.F.C., Inc.	410 Asylum St. LLC	Schermerhorn House HD.F.C.	St. Mark's HD.F.C.	Brook Ave HD.F.C.	Windham LLC	New Haven LLC	Eliminations	Total
-	\$ -	\$ -	\$ 4,848	\$ 38,230	\$ -	\$ 53	\$ 224	\$ 337	\$ -	\$ -	\$ -	\$ 523,979
1,266	-	100	71,779	264,801	-	-	-	-	-	-	(1,366)	1,767,268
-	-	-	-	-	-	-	-	-	-	-	-	2,147,655
-	-	-	332,930	-	-	-	-	-	-	-	(14,983,716)	-
(6,516)	-	-	(382,113)	(7,640)	-	(67,716)	-	-	-	-	-	1,420,413
-	-	-	-	-	-	-	-	-	-	-	-	108,143
-	-	-	-	39,588	-	-	-	-	-	-	-	477,728
(5,250)	-	100	27,444	334,979	-	(67,663)	224	337	-	-	(14,985,082)	6,445,186
-	-	-	-	48,530	-	-	-	-	-	20,150	-	2,509,227
-	-	-	-	-	-	-	-	-	-	-	-	8,187,507
-	-	-	-	48,530	-	-	-	-	-	20,150	-	10,696,734
-	-	-	-	\$ 7,497,910	1,741,439	-	192,077	4,163,354	-	75,493	(201,847)	18,125,201
-	5,000,000	-	(7,808)	-	-	2,550,000	-	-	-	-	(5,243,248)	2,402,390
-	-	-	-	-	-	-	-	-	-	-	-	4,644,682
-	-	-	-	-	-	-	-	-	-	-	(9,000)	3,464,127
-	-	-	-	2,580,680	-	-	-	-	-	-	-	5,138,181
(5,250)	\$ 5,000,000	\$ 100	\$ 19,636	\$ 10,462,099	\$ 1,741,439	\$ 2,482,337	\$ 192,301	\$ 4,163,691	\$ -	\$ 95,643	\$ (20,439,177)	\$ 50,916,501
-	\$ -	\$ -	\$ 31,196	\$ 47,416	\$ -	\$ -	\$ -	\$ -	\$ 3,722	\$ 26,844	\$ (10,113)	\$ 1,382,980
-	-	-	-	-	-	-	-	-	14,972	-	-	109,972
1,292	-	-	-	5,445,777	2,202,409	2,395,078	75,088	347,331	30,161	43,500	(14,983,716)	-
-	-	-	-	19,578	-	-	-	-	-	-	-	215,537
-	-	-	-	-	-	-	-	-	-	-	-	580,580
1,292	-	-	31,196	5,512,771	2,202,409	2,395,078	75,088	347,331	48,855	70,343	(14,993,829)	2,289,069
-	-	-	-	3,861,324	-	-	-	3,816,360	-	25,300	-	16,718,576
1,292	-	-	31,196	9,374,095	2,202,409	2,395,078	75,088	4,163,691	48,855	95,643	(14,993,829)	19,007,645
(6,542)	5,000,000	100	(11,560)	1,088,004	(460,970)	87,259	117,213	-	(48,855)	-	(5,445,348)	17,505,711
-	-	-	-	-	-	-	-	-	-	-	-	12,785,278
(6,542)	5,000,000	100	(11,560)	1,088,004	(460,970)	87,259	117,213	-	(48,855)	-	(5,445,348)	30,290,989
-	-	-	-	-	-	-	-	-	-	-	-	1,617,867
(6,542)	5,000,000	100	(11,560)	1,088,004	(460,970)	87,259	117,213	-	(48,855)	-	(5,445,348)	31,908,856
(5,250)	\$ 5,000,000	\$ 100	\$ 19,636	\$ 10,462,099	\$ 1,741,439	\$ 2,482,337	\$ 192,301	\$ 4,163,691	\$ -	\$ 95,643	\$ (20,439,177)	\$ 50,916,501

Common Ground Community I

CONSOLIDATING SCHEDULE

For the year ended

	Common Ground Community H.D.F.C., Inc.	Common Ground Ventures Corporation	Common Ground Jobs Training Corporation	Times Square G.P. Corp.	Common Ground Management Corporation	Common Ground Community II H.D.F.C., Inc.	Common Ground of RC Corp	Prince George G.P. Corp.
Revenues and support:								
Contributions	\$ 3,779,870	\$ -	\$ -	\$ -	\$ 40,000	\$ 12,500	\$ -	\$ -
Government grants and contracts	1,344,550	-	-	-	-	673,602	-	-
Management and partnership fees	531,318	-	-	50,000	1,005,534	-	-	50,000
Development fee	3,099,239	-	-	-	9,000	258,825	-	-
Rental revenue	1,011,710	105,791	439,790	-	-	35,169	-	-
Investment return	421,701	3	39,383	-	37,208	108	-	2
Other income	109,508	2,614	7,857	-	101,373	16,375	-	-
Loss on investment in partnership	-	-	-	(168)	-	-	-	(93)
Equity in earnings of wholly-owned subsidiary	40,054	-	-	-	-	48,955	-	-
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total revenues and support	10,337,950	108,408	487,030	49,832	1,193,115	1,045,534	-	49,909
Expenses:								
Program services:								
Social services	3,731,829	145,006	510,074	-	-	699,382	-	-
Housing management and development	1,461,432	-	-	-	1,150,147	-	-	-
Total program services	5,193,261	145,006	510,074	-	1,150,147	699,382	-	-
Supporting services:								
General and administrative	497,436	-	-	9,778	2,073,768	-	-	953
Fundraising	709,373	-	-	-	-	-	-	-
Total supporting services	1,206,809	-	-	9,778	2,073,768	-	-	953
Total expenses	6,400,070	145,006	510,074	9,778	3,223,915	699,382	-	953
Change in net assets	3,937,880	(36,598)	(23,044)	40,054	(2,030,800)	346,152	-	48,956
Net assets, beginning of year	20,404,337	(218,106)	9,075,330	96,815	(2,945,764)	3,112,194	(282,072)	64,221
Net assets, end of year	\$ 24,342,217	\$ (254,704)	\$ 9,052,286	\$ 136,869	\$ (4,976,564)	\$ 3,458,346	\$ (282,072)	\$ 113,177

The accompanying accountants' review report should be read in conjunction with this schedule.

F.C., Inc. and Affiliates

STATE OF ACTIVITIES

December 31, 2007

Chelsea G.P. Corp.	Schermerhorn Housing Corp.	Pitt Street Housing Corp.	Common Ground Community III H.D.F.C., Inc.	Common Ground Community IV H.D.F.C., Inc.	410 Asylum St. LLC	Schermerhorn House HDFC	St. Mark's HDFC	Brook Ave HDFC	Windham LLC	Eliminations	Total
-	\$ -	\$ -	\$ 5,000	\$ 116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,837,486
-	-	-	316,428	2,539,021	-	-	117,213	-	63,726	-	5,054,540
-	-	-	-	-	-	-	-	-	-	-	1,636,852
-	-	-	-	-	-	-	-	-	-	(9,000)	3,358,064
-	-	-	-	136,559	-	-	-	-	-	-	1,729,019
-	-	-	-	738	-	-	-	-	-	(89,250)	409,893
-	-	-	3,508	65,704	-	3	-	-	-	-	306,942
-	-	-	-	-	-	-	-	-	-	-	(261)
-	-	-	(7,808)	-	-	-	-	-	-	(81,201)	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	317,128	2,742,138	-	3	117,213	-	63,726	(179,451)	16,332,535
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	321,007	2,662,349	-	-	-	-	-	-	8,069,647
-	-	-	-	-	84,264	-	-	-	112,581	-	2,808,424
-	-	-	321,007	2,662,349	84,264	-	-	-	112,581	-	10,878,071
-	-	-	-	-	-	-	-	-	-	-	-
7,808	-	-	-	-	-	-	-	-	-	-	2,589,743
-	-	-	-	-	-	-	-	-	-	-	709,373
7,808	-	-	-	-	-	-	-	-	-	-	3,299,116
-	-	-	-	-	-	-	-	-	-	-	-
7,808	-	-	321,007	2,662,349	84,264	-	-	-	112,581	-	14,177,187
(7,808)	-	-	(3,879)	79,789	(84,264)	3	117,213	-	(48,855)	(179,451)	2,155,348
-	-	-	-	-	-	-	-	-	-	-	-
1,266	5,000,000	100	(7,681)	1,008,215	(376,706)	87,256	-	-	-	(5,265,897)	29,753,508
-	-	-	-	-	-	-	-	-	-	-	-
(6,542)	\$ 5,000,000	\$ 100	\$ (11,560)	\$ 1,088,004	\$ (460,970)	\$ 87,259	\$ 117,213	\$ -	\$ (48,855)	\$ (5,445,348)	\$ 31,908,856