

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

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

DECEMBER 31, 2011 AND 2010

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statement of financial position of Common Ground Community H.D.F.C., Inc. and Affiliates as of December 31, 2011, and the related consolidated statements of activities, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's 2010 financial statements, that were audited by other auditors whose report dated June 30, 2011 expressed an unqualified opinion on those statements. The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

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

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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental information on pages 38 through 43 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

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

Reznick Group, P.C.

Bethesda, Maryland
June 25, 2012

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2011 (with Comparative totals for 2010)

	2011				2010
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated	
CURRENT ASSETS					
Cash	\$ 2,289,302	\$ 1,691,943	\$ -	\$ 3,981,245	\$ 4,391,834
Accounts receivable, net	5,663,807	1,148,678	(185,971)	6,626,514	6,001,979
Advances due from affiliates	88,787,413	4,593,380	(93,380,793)	-	-
Development fee receivable	2,186,251	-	-	2,186,251	1,211,925
Other current assets	1,196,880	2,030,667	(1,523,888)	1,703,659	3,184,312
Total current assets	100,123,653	9,464,668	(95,090,652)	14,497,669	14,790,050
PROPERTY AND EQUIPMENT					
Construction-in-progress	598,980	62,398,366	(1,065,595)	61,931,751	48,061,689
Property and equipment, net	57,792,921	246,367,275	(8,817,022)	295,343,174	270,494,816
	58,391,901	308,765,641	(9,882,617)	357,274,925	318,556,505
NONCURRENT ASSETS					
Lender restricted cash and contractual reserves:					
Lender restricted cash	4,027,362	-	-	4,027,362	8,350,258
Contractual reserves	13,898,106	10,990,830	-	24,888,936	60,309,323
Total lender restricted cash and contractual reserves	17,925,468	10,990,830	-	28,916,298	68,659,581
Tenant security deposits	492,662	538,105	-	1,030,767	953,101
Development fee receivable - long-term, and accrued interest	18,614,688	-	(10,263,356)	8,351,332	9,550,351
Accrued interest on notes receivable - affiliates	1,284,099	-	(1,284,099)	-	243,382
Notes receivable - affiliates	27,744,479	-	(27,744,479)	-	-
Other assets, net	-	1,473,149	-	1,473,149	1,369,263
Investments in housing entities	1,259,453	-	(1,259,453)	-	-
	67,320,849	13,002,084	(40,551,387)	39,771,546	80,775,678
Total assets	\$ 225,836,403	\$ 331,232,393	\$ (145,524,656)	\$ 411,544,140	\$ 414,122,233

See notes to consolidated financial statements

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

	2011				2010
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated	
CURRENT LIABILITIES					
Accounts payable and accruals	\$ 7,468,736	\$ 1,514,414	\$ (246,118)	\$ 8,737,032	\$ 8,836,850
Construction payable	128,066	11,570,229	-	11,698,295	17,372,525
Due to affiliates - short-term	82,430,897	10,625,360	(93,056,257)	-	-
Prepaid rent	14,562	1,844,291	(1,788,277)	70,576	83,211
Deferred revenue - current portion	1,733,244	-	-	1,733,244	1,516,664
Development fee payable - short-term	-	2,186,251	-	2,186,251	-
Loan payable - affiliates, current maturities	-	-	-	-	281,558
Mortgages and notes payable, current maturities	1,375,000	18,277	-	1,393,277	11,396,638
Total current liabilities	93,150,505	27,758,822	(95,090,652)	25,818,675	39,487,446
NONCURRENT LIABILITIES					
Security deposits and other payable	592,291	536,130	-	1,128,421	1,105,053
Accrued interest - mortgage and notes	183,721	4,098,807	-	4,282,528	3,647,757
Accrued interest - affiliate loans	-	1,284,099	(1,284,099)	-	-
Deferred revenue	11,218,766	-	(725,000)	10,493,766	9,057,865
Development fee payable - long-term	-	18,614,688	(10,263,356)	8,351,332	-
Affiliate loans payable	-	27,744,479	(27,744,479)	-	-
Mortgage and notes payable, net of current maturities	42,437,636	173,686,348	-	216,123,984	222,332,295
Total noncurrent liabilities	54,432,414	225,964,551	(40,016,934)	240,380,031	236,142,970
Total liabilities	147,582,919	253,723,373	(135,107,586)	266,198,706	275,630,416
NET ASSETS					
Unrestricted					
Controlling interest	69,649,069	1,272,597	(10,417,070)	60,504,596	64,951,213
Noncontrolling interest	-	76,236,423	-	76,236,423	69,154,934
Temporarily restricted	8,604,415	-	-	8,604,415	4,385,670
Total net assets	78,253,484	77,509,020	(10,417,070)	145,345,434	138,491,817
Total liabilities and net assets	\$ 225,836,403	\$ 331,232,393	\$ (145,524,656)	\$ 411,544,140	\$ 414,122,233

See notes to consolidated financial statements

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, (with Comparative totals for 2010)

	2011				
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated	2010
UNRESTRICTED REVENUES AND SUPPORT					
Contributions	\$ 2,917,671	\$ -	\$ -	\$ 2,917,671	\$ 1,955,519
Government grants and contracts	19,316,392	-	-	19,316,392	18,004,251
Management and partnership fees	1,859,817	-	(1,691,642)	168,175	114,751
Development fees	2,617,235	-	-	2,617,235	3,294,514
Rental income	9,790,374	13,304,483	(386,856)	22,708,001	20,005,581
Investment income	862,572	28,223	(608,470)	282,325	266,697
Other income	755,989	866,981	33,343	1,656,313	1,235,400
Net assets released from restriction	4,650,135	-	-	4,650,135	4,390,851
Total revenues and support	42,770,185	14,199,687	(2,653,625)	54,316,247	49,267,564
EXPENSES					
Social services	22,301,855	-	(1,956,064)	20,345,791	19,889,770
Housing management and development	2,400,324	-	(1,053,162)	1,347,162	4,031,013
Affordable housing operations	5,733,993	11,906,947	(1,673,336)	15,967,604	15,580,380
General and administrative	4,961,525	-	-	4,961,525	3,828,034
Fundraising	639,824	-	-	639,824	1,115,093
Depreciation and amortization	2,682,224	7,473,686	(230,694)	9,925,216	8,182,099
Interest and service fees	724,350	1,900,618	(456,532)	2,168,436	2,144,848
Total expenses	39,444,095	21,281,251	(5,369,788)	55,355,558	54,771,237
Change in net assets before other non-recurring items	3,326,090	(7,081,564)	2,716,163	(1,039,311)	(5,503,673)
Gain on sale of land	-	-	-	-	1,100,000
Gain on forgiveness of loan	656,670	-	-	656,670	418,889
Contribution and release of net assets to Community Solutions Inc.	(1,455,774)	-	-	(1,455,774)	-
Sale of state historic tax credits	-	-	-	-	3,410,224
Increase (decrease) in unrestricted net assets	2,526,986	(7,081,564)	2,716,163	(1,838,415)	(574,560)
TEMPORARILY RESTRICTED NET ASSETS					
Revenue					
Contributions	662,673	-	-	662,673	5,114,235
Net assets released from restrictions	(4,650,135)	-	-	(4,650,135)	(4,390,851)
Increase (decrease) in temporarily restricted net assets	(3,987,462)	-	-	(3,987,462)	723,384
Changes in net assets	(1,460,476)	(7,081,564)	2,716,163	(5,825,877)	148,824
Excess of expenses over revenue attributable to noncontrolling interest	-	7,080,856	-	7,080,856	7,186,103
Excess (deficiency) of revenues over expenses attributable to the Organization	\$ (1,460,476)	\$ (708)	\$ 2,716,163	\$ 1,254,979	\$ 7,334,927

See notes to consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

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

	Unrestricted net assets			Temporarily restricted net assets	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2010	\$ 58,339,670	\$ 29,757,815	\$ 88,097,485	\$ 3,662,286	\$ 91,759,771
Contributions from investors	-	47,157,127	47,157,127	-	47,157,127
Syndication costs	-	(103,000)	(103,000)	-	(103,000)
Capital account adjustment	-	(470,905)	(470,905)	-	(470,905)
Excess of revenue over expenses/(excess of expenses over revenue) attributable to noncontrolling interests	-	(7,186,103)	(7,186,103)	-	(7,186,103)
Excess of revenue over expenses/(excess of expenses over revenue) attributable to the Organization	<u>6,611,543</u>	<u>-</u>	<u>6,611,543</u>	<u>723,384</u>	<u>7,334,927</u>
Ending balance, December 31, 2010	64,951,213	69,154,934	134,106,147	4,385,670	138,491,817
Contributions from investors	-	12,679,494	12,679,494	-	12,679,494
Reclassification of unrestricted net assets	(9,689,058)	1,482,851	(8,206,207)	8,206,207	-
Excess of revenue over expenses/(excess of expenses over revenue) attributable to noncontrolling interests	-	(7,080,856)	(7,080,856)	-	(7,080,856)
Excess of revenue over expenses/(excess of expenses over revenue) attributable to the Organization	<u>5,242,441</u>	<u>-</u>	<u>5,242,441</u>	<u>(3,987,462)</u>	<u>1,254,979</u>
Ending balance, December 31, 2011	<u>\$ 60,504,596</u>	<u>\$ 76,236,423</u>	<u>\$ 136,741,019</u>	<u>\$ 8,604,415</u>	<u>\$ 145,345,434</u>

See notes to consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ (5,825,877)	\$ 148,824
Adjustments to reconcile changes in net assets to cash provided by operating activities		
Depreciation and amortization	9,925,216	8,182,099
Unrealized gains	(50,256)	(82,455)
Loss on disposal of fixed assets	241,811	167,566
Gain on forgiveness of loan	(656,670)	(418,889)
Gain on sale of land	-	(1,100,000)
Changes in assets and liabilities		
(Increase) decrease in operating assets		
Accounts receivable	(624,535)	3,253,394
Advances due from affiliates	-	-
Development fee receivable	224,693	(66,386)
Other current assets	1,480,653	(3,040,094)
Tenant security deposits	(77,666)	(157,041)
Accrued interest on notes receivables	(38,176)	-
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(99,818)	2,433,290
Prepaid rent	(12,635)	-
Deferred revenue	3,984,151	5,723,117
Loans payable - affiliates	-	263,792
Security deposits and other payables	23,368	134,684
Accrued interest - mortgage and notes	416,075	1,175,654
Net cash provided by operating activities	8,910,334	16,617,555
Cash flows from investing activities		
Withdrawals of contractual reserves	79,496,828	7,438,074
Withdrawals of lender restricted cash	6,413,771	3,715,793
Deposits to contractual reserves	(44,026,185)	(46,609,581)
Deposits to lender restricted cash	(2,090,875)	(7,830,594)
Capital expenditures	(43,907,284)	(43,397,147)
Proceeds from notes and interest receivable	-	(161,515)
Net cash used in investing activities	(4,113,745)	(86,844,970)
Cash flows from financing activities		
Capital contributions received from investors	12,679,494	47,157,126
Syndication costs	-	(573,904)
Proceeds from loans	27,879,199	58,345,898
Repayments of loans	(45,765,871)	(32,914,200)
Net cash (used in) provided by financing activities	(5,207,178)	72,014,920
Net (decrease) increase in cash	(410,589)	1,787,505
Cash, beginning of year	4,391,834	2,604,329
Cash, end of year	\$ 3,981,245	\$ 4,391,834
Supplemental disclosure of information:		
Cash paid for interest, net of amounts capitalized	\$ 1,533,665	\$ 1,052,438

See notes to consolidated financial statements

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 (with Comparative totals for 2010)

NOTE 1 - ORGANIZATION AND PURPOSE

Common Ground Community H.D.F.C., Inc. and Affiliates (collectively, Common Ground) is a pioneer in the development of supportive housing and other research-based practices that end homelessness. Common Ground's network of well-designed, affordable apartments linked to the services people need to maintain their housing, restore their health and regain their economic independence has enabled more than 5,000 individuals to overcome homelessness.

Common Ground's primary programs are concentrated in three areas:

- Social Services:
 - Outreach - Through various programs, Common Ground provides access to housing for the most vulnerable: those who have been homeless the longest, have the most disabling conditions, and are least likely to access housing resources. These individuals typically spend years cycling between emergency shelters, hospitals and jails.
 - Supportive Services - Once housed, Common Ground provides supportive services to its tenants, to ensure their shelter and well-being.
- Housing Management and Development: Common Ground develops and self-manages the majority of the buildings whose development it has sponsored.
- Affordable Housing Options: Common Ground builds and manages a range of housing options for homeless and low-income individuals and families. These properties are attractive, affordable, well-managed and linked to the services and support people need to rebuild their lives.

Common Ground is affiliated with and under common board control with other not-for-profit corporations and for-profit limited partnerships which have been formed as supporting entities to Common Ground to further Common Ground's organizational objectives. These entities are included in the consolidated financial statements of Common Ground in accordance with the "Reporting of Related Entities by Not-for-Profit Organizations" and "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights." The following summarized the entities comprising Common Ground.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

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 low income housing projects and to provide related social service programs. In October 2009, CGC received a charitable contribution of the limited partnership interest in the T.S. Hotel Limited Partnership. This donation resulted in CGC obtaining full ownership interest in this property, and a step-up in the basis of the property of approximately \$16 million and, the resulting liquidation of the limited partnership. Ownership of the Times Square Hotel now resides with the Times Square Hotel LLC, whose sole member is CGC. CGC is financed principally by grants from community-based and governmental organizations, as well as fees received from developing and managing properties, rental income, and contributions from the general public.

Common Ground Community II H.D.F.C., Inc. (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, maintain and operating low-income housing projects and to provide related social service programs to the tenants residing in the buildings owned by the following limited partnerships, of which the general partner or controlling member is owned by CGC II: Prince George Associates LP, Brook Avenue Housing LP, Pitt Street LP, 410 Asylum Street LLC, and New Haven LLC. In addition, CGC II may also acquire properties for future development as supportive and low-income housing units.

On January 14, 2011, the Operating agreement of Prince George Investment LLC, the Investor Limited Partner of Prince George Associate, L.P., was amended to execute an assignment and assumption of Membership interest. CGC II Housing Development Corporation assumed 49.995% of investor limited partner interest from Fannie Mae (formerly known as Federal National Mortgage Association), the withdrawing investor member. All amounts due to the withdrawing investor member at the time of the transfer were assumed by the replacement member without recourse.

Common Ground Community III H.D.F.C., Inc. (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 is a not-for-profit charitable organization exempt from income and excise taxes

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

under Section 501(c)(3) of the Internal Revenue Code. CGC III was formed for the charitable purpose of 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 and employment services to qualifying young adults, formerly homeless and low-income single adults.

Common Ground Community IV H.D.F.C., Inc. (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 provides 224 "First Step Housing" units and social services for individuals transitioning from homelessness to permanent housing.

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 held the lease for a retail space on 104th street, New York City, which is subleased to two commercial tenants. All leases terminated on December 31, 2011.

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. CGJTC operates the Prince George Ballroom and the commercial space at that building.

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. It is also the central disbursement agent for all Common Ground entities.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

exempt under Section 501(c)(3) of the Internal Revenue Code. This entity holds the apartment leases related to Common Ground's scatter-site housing activities.

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

St. Mark's Brownsville H.D.F.C. (the "Domenech") was incorporated on May 23, 2006, under section 402 of the Not-for-Profit Corporation Law. The Domenech 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. St. Mark's Senior Housing Corporation is the general partner of St. Mark's Brownsville L.P.

Common Ground is the sole owner or controlling member of the general partners which each own 0.01% of their associated limited partnerships. These partnerships were formed to own individual properties which are developed and managed to provide low-income housing.

<u>Limited Partnership</u>	<u>General Partner</u>
Prince George Associates LP	Prince George GP Corporation
Chelsea Residence LP	Chelsea GP Corporation
Brook Avenue Housing LP	CG Brook Avenue Housing Corporation
Schermerhorn Housing LP	Schermerhorn Housing Corporation
Pitt Street LP	Pitt Street Housing Corporation
410 Asylum Street LP	Common Ground 410 Asylum LIHTC LLC
410 Asylum Street Historic LP	Common Ground 410 Asylum HTC LLC
St. Mark's Brownsville LP	St. Mark's Senior Housing Corporation
CG Cedarwoods Housing LLC	CG Cedarwoods Management LLC
Hegeman Avenue Housing LP	CG Hegeman Avenue Housing Corp
1630 Dewey Avenue	1630 Dewey Avenue Managing Member Inc.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Financial Statement Presentation

The accompanying consolidated financial statements of Common Ground have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). 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 - controlling - represent expendable resources that are used to carry out the operations of Common Ground and are not subject to donor-imposed stipulations.

Unrestricted net assets - noncontrolling - represent the aggregate balance as of December 31, 2011 of limited partner equity interest in the non wholly-owned housing entities that are included in the consolidated financial statements.

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.

Permanently restricted net assets - resources which contain donor-imposed stipulations requiring that the corpus be maintained permanently, 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 as December 31, 2011 and 2010.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets, i.e., the donor-stipulated purpose have been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

Principles of Consolidation

Not-for-Profit Corporations - The accompanying consolidated financial statements of Common Ground included the accounts of Common Ground Community H.D.F.C., Inc. and other not-for-profit entities that are commonly controlled by Common Ground's Board of Directors. All intercompany transactions and accounts have been eliminated in consolidation.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

Limited Partnerships - Partnerships that are controlled by Common Ground or its affiliated not-for-profit entities are included in the consolidated financial statements. Partnerships over which Common Ground or its affiliates exercise significant influence are consolidated within the accompanying financial statements. The general partnership interests held by Common Ground entities equal 0.01% of the respective limited partnerships' equity, with the remainder of the partnerships' equity held by the limited partners of the respective limited partnerships. The portion of the limited partnerships not controlled by Common Ground affiliated entities is presented in the consolidated financial statements as noncontrolling interest.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

Revenue Recognition

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give, due in more than one year, if any, are discounted to reflect the present value of future cash flows at a risk-adjusted rate.

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 income includes rent from the operation of low-income housing projects and is recognized when earned.

Development fees are recognized as income in the year earned based on the percentage of completion method, taking into account the total anticipated development costs of the related project and the completion, tax credit and operating deficit guarantee obligations of Common Ground to the respective housing entities. The unearned portion is classified as deferred revenue on the accompanying consolidated statement of financial position. Development fees are paid by the respective housing entities, to Common Ground entities, through funds received from equity contributions of limited partnership investors as well as from the operating cash flow of the perspective limited partnerships. Only the portion of development fees to be paid from limited partnership operating cash flow is eliminated in consolidation, while the portion to be paid from third-party equity contributions is not.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

Tenant Rental Revenue - Tenant rental revenue is recognized as income on an accrual basis as it is earned. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the properties and tenants are considered to be operating leases.

Commercial Rental Income - Minimum rental revenue is recognized on a straight-line basis over the term of the lease, regardless of when payments are due.

Cash

Common Ground maintains bank accounts with several financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation up to an aggregate amount of \$250,000 for each entity. Cash held in qualifying noninterest-bearing accounts are fully insured through December 31, 2012. At times, cash balances in interest bearing accounts may exceed federally insured limits. Management does not believe that there is a significant risk of loss due to the failure of any such institution.

Cash Flows

The following items are included as supplemental disclosure to the statements of cash flows for the year ended December 31, 2011:

Contruction payable capitalized to rental property	\$16,923,527
Disposal of property	241,811

Receivables and Allowance

Common Ground uses direct write-off method for pledges and contracts receivable. Any such accounts determined to be uncollectible are charged to operations. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. The allowance method is used for receivables related to real estate activities, where allowance as established for any tenant whose rent is more than 90 days delinquent.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

Pledges Receivable

Unconditional promises to give that are expected to be collected within a year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their estimated present value.

Development Fees Receivable

Development fees receivable presented on the accompanying statements of financial position represent development fees due from related entities for construction development. Development fees receivable, development fees income and deferred development fees earned from housing entities that is payable from operational cash flow of the respective projects is eliminated in consolidation. Any remaining development fees receivable shall be paid by the related entities upon receipt of the limited partner equity contribution. The balance as of December 31, 2011 and 2010 is \$10,537,583 and \$10,762,276, respectively.

Restricted Reserves

Restricted reserves represent amounts that are required to be maintained by contractual or other agreements and consist of cash and cash equivalents, a certificate of deposit, treasury bills and fixed income mutual funds. Such assets are reported at fair value, with realized and unrealized gains and losses, if any, reflected as investment income in the consolidated statement of activities.

Fair Value

The carrying amounts of Common Ground's cash, receivable, payables and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of the Common Ground's long-term notes and developer fees receivable, due from affiliates is assessed by management based on analysis of underlying investments and historical trends. Impairment reserves are provided as necessary. Management believes it is not possible to accurately estimate the fair value of the Organization's notes payable and receivables since loans with similar terms are not at market rate, are not currently available in the market, and cannot be valued separate and apart from the underlying real estate collateral.

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

in an orderly transaction between market participants on the measurement date. As required by US GAAP for the fair value measurement, Common Ground uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of December 31, 2011 and 2010. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of December 31, 2011 and 2010. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (NAV) per share, or its equivalent, that may be redeemed at the NAV at the date of the consolidated statement of financial position or in the near term, which Common Ground has generally considered to be within 90 days.
- Level 3 - Securities that have little to no pricing observability. These securities are measured using management's best estimate for fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit date, liquidity statistics, and other factors. A financial instrument's level within the

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

fair value hierarchy is based on the lowest level of any input that is significant to fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by Common Ground. Common Ground considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial statement within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Common Ground’s perceived risk of that instrument.

Contributed Services

In-Kind contributions consist of professional services provided to Common Ground. All donated professional services are recorded at fair value at the time the service is performed. Total donated services for the year ended December 31, 2011 was \$307,994.

Concentration of Credit and Market Risks

Financial instruments that expose Common Ground to potential concentrations of credit and market risks consist primarily of cash and restricted reserves. All such instruments are maintained at large financial institutions and credit exposure is not limited to any one institution. Management does not believe that its financial instruments are subject to significant concentrations of market risk, due to diversification.

Property and Equipment

Property and equipment are recorded at cost or fair value at date of contribution, if donated. Fixed assets costing greater than \$5,000 and with a useful life greater than 5 years are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. 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 assets life or life of lease
Furniture	5-7 years
Equipment	3-5 years

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

Construction-in-Progress

All third-party costs, including interest expense associated with the acquisition of property for potential development, are capitalized as construction-in-progress. Any costs, associated with potential acquisitions, that are not deemed probable are expensed. All construction-related costs for properties where construction has commenced are capitalized as construction cost as incurred.

Capitalized Costs

Interest, real estate taxes, and insurance costs incurred during the period of rehabilitation of the Projects are capitalized as part of the cost of construction in progress.

Impairment of Long-Lived Assets and Asset Retirement Obligations

Common Ground reviews its rental properties of impairment whenever events or changes in circumstances indicated that the carrying value of the assets may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized for the years ended December 31, 2011 and 2010.

Management has evaluated the requirements governing Conditional Asset Retirement Obligations and determined that it is not subject to such provisions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities based on an analysis made by management; with the exception of depreciation and interest expense as described in note 10.

Income Taxes

On January 1, 2009, Common Ground adopted a new accounting standard which requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. The accounting standard establishes criterion that an individual tax position has to meet for some or all of the benefits of that position to be recognized in an entity’s financial statements. On initial application, this criterion will be applied to all tax positions for which the statute of limitations remains open. Only tax positions that meet the “more-likely-than-not” recognition threshold at the adoption date will be recognized or continue to be

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

recognized. The adoption of this guidance did not have an impact on Common Ground's consolidated financial statements, as management believes that there are no uncertain tax positions within its consolidated financial statements. Common Ground has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. The tax years ending 2007, 2008, 2009 and 2010 are still open for audit for both federal and state purposes.

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

Use of Accounting Estimates

The preparation of consolidated financial statements in conformity with US GAAP 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.

Reclassification of Net Assets

Prior year unrestricted controlling net assets of \$1,482,851 were reclassified as unrestricted noncontrolling net assets to properly reflect the limited partner's noncontrolling interest in net assets as of December 31, 2011.

Prior year unrestricted controlling net assets of \$8,206,207 were reclassified as temporarily restricted net assets to properly reflect the net assets as of December 31, 2011 (See note 11 and 14).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

Reclassifications

Certain reclassifications have been made to the 2010 balances to conform to the 2011 presentation.

NOTE 3 - LENDER RESTRICTED CASH AND CONTRACTUAL RESERVES

Under the terms of various partnership agreements and mortgage loans, Common Ground is required to segregate and maintain funds in certain restricted accounts that can only be accessed with the permission of the respective limited partner and mortgage lender. These reserve accounts are primarily funded from the proceeds of Common Ground earned development fees, a portion of which is required to be placed in reserve when paid by the limited partnership. These reserves are required by the investor and lender, to fund potential limited partnership based operating deficits or building replacement needs. The amount and terms of such reserves are set forth in the respective limited partnership agreements.

Lender restricted cash and contractual reserves, at fair value, at December 31, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 9,740,921	\$ 11,528,332
Certificate of deposit	1,800,000	1,800,000
Treasury bills	17,321,659	49,647,595
Fixed income mutual funds	<u>53,718</u>	<u>5,683,654</u>
Total	<u>\$ 28,916,298</u>	<u>\$ 68,659,581</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

The following table presents Common Ground's lender restricted cash and contractual reserves classified within the fair value hierarchy as of December 31, 2011 and 2010:

	2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 9,740,921	\$ -	\$ -	\$ 9,740,921
Certificate of deposit	-	1,800,000	-	1,800,000
Treasury bills	-	17,321,659	-	17,321,659
Fixed income mutual funds	53,718	-	-	53,718
Total	<u>\$ 9,794,639</u>	<u>\$ 19,121,659</u>	<u>\$ -</u>	<u>\$ 28,916,298</u>

	2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 11,528,332	\$ -	\$ -	\$ 11,528,332
Certificate of deposit	-	1,800,000	-	1,800,000
Treasury bills	-	49,647,595	-	49,647,595
Fixed income mutual funds	5,683,654	-	-	5,683,654
Total	<u>\$ 17,211,986</u>	<u>\$ 51,447,595</u>	<u>\$ -</u>	<u>\$ 68,659,581</u>

Investment income for the years ended December 31, 2011 and 2010, consisted of the following:

	2011	2010
Interest and dividends	\$ 232,069	\$ 184,242
Unrealized gains (losses)	<u>50,256</u>	<u>82,455</u>
Total	<u>\$ 282,325</u>	<u>\$ 266,697</u>

Contractual reserve fees are netted against interest income and totaled \$25,511 and \$31,911 for the years ended December 31, 2011 and 2010, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

NOTE 4 - PROPERTY AND EQUIPMENT, NET

At December 31, 2011 and 2010, property and equipment, net, consisted of the following:

	<u>2011</u>	<u>2010</u>
Building and land improvements	\$ 311,200,588	\$ 276,648,932
Leasehold improvements	4,378,735	4,213,366
Furniture and equipment	12,961,144	13,209,693
Land	23,807,089	23,932,525
Construction-in-progress	61,931,751	48,061,689
Less: Accumulated depreciation and amortization	<u>(57,004,382)</u>	<u>(47,509,700)</u>
	<u><u>\$ 357,274,925</u></u>	<u><u>\$ 318,556,505</u></u>

Depreciation and amortization expenses totaled \$9,925,216 and \$8,182,099 for the years ended December 31, 2011 and 2010, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

NOTE 5 - LOANS PAYABLE

The following reflects the various debt obligations outstanding as presented in the accompanying consolidated statement of financial position at December 31, 2011 and 2010:

Common Ground and Affiliates	Lender	Loans Payable at December 31, 2011	Loans Payable at December 31, 2010	Maturity Date	Interest Rate
CGC	Calvert Social Investments Foundation	\$ 675,000	\$ 675,000	9/31/2012	5%
CGC	Mennonite Mutual Aid Community Investments Partners	200,000	200,000	10/15/2012	5%
CGC	Mizuho Corporate Bank (USA)	-	1,549,119	10/24/2013	LIBOR plus 1.5%
CGC	Safe Haven Loan Fund	-	1,000,000	10/31/2011	7%
CGC	Seedco Financial	590,984	783,229	9/2/2014	7%
CGC	van Ameringen Foundation	1,000,000	1,000,000	8/1/2014	2%
CGC	Deutsche Bank, Americus Found	50,000	25,000	6/31/2013	Non-interest bearing
Times Square Hotel LLC	NYC Department of Housing Preservation and Development	28,850,107	28,850,107	7/1/2026	1.25%
CGC	Metlife, Altman Foundation , AXA Equitable Life Insurance Corp	-	1,500,000	6/8/2011	2%
CGM	HSBC	600,000	900,000	11/30/2013	3.79%
CGC IV	NYC Department of Housing Preservation and Development	2,764,073	2,764,073	1/5/2040	1%
CGC IV	NYS Homeless Housing Assistance Corporation	5,698,300	5,698,300	1/5/2040	1%
CGC IV	NYC Department of Housing Preservation and Development - Reso A	803,172	803,172	1/5/2040	1%
CGC IV	MacArthur Foundation	2,000,000	2,000,000	10/1/2018	2%
CGC IV	NYS Housing Finance Agency	581,000	581,000	1/5/2040	Non-interest bearing
Prince George Assoc. LP	NYC Department of Housing Preservation and Development	12,606,976	12,606,976	11/1/2028	1%
Prince George Assoc. LP	NYS Homeless Housing Assistance Corporation	4,000,000	4,000,000	11/1/2029	1%

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

Common Ground and Affiliates	Lender	Loans Payable at December 31, 2011	Loans Payable at December 31, 2010	Maturity Date	Interest Rate
Chelsea Residence LP	NYC Department of Housing Preservation and Development	16,259,309	16,259,309	5/15/2035	0.10%
Chelsea Residence LP	NYS Homeless Housing Assistance Corporation	5,469,414	5,469,414	11/1/2029	1%
Schermerhorn House LP	NYS Homeless Housing Assistance Corporation	6,749,800	6,749,800	4/30/2039	1%
Schermerhorn House LP	NYC Department of Housing Preservation and Development	19,809,343	19,809,343	4/27/2040	1%
Pitt Street LP	New York Housing Development Corporation	-	31,000,000	3/1/2040	Variable floating rate
Pitt Street LP	NYC Department of Housing Preservation and Development	24,670,000	24,593,190	9/1/2041	1%
Pitt Street LP	NYS Homeless Housing Assistance Corporation	6,520,758	6,413,396	12/28/2040	1%
Brook Avenue Housing LP	NYC Department of Housing Preservation and Development	17,600,000	17,562,500	11/1/2040	1%
Brook Avenue Housing LP	NYS Homeless Housing Assistance Corporation	3,500,000	3,500,000	12/20/2039	1%
St Mark's Brownsville LP	NYS Homeless Housing Assistance Corporation	1,803,300	1,803,300	3/29/2051	1%
St Mark's Brownsville LP	NYC Department of Housing Preservation and Development - Reso A	750,000	750,000	11/26/2050	Non-interest bearing
410 Asylum Street LLC	State of Connecticut Department of Economic and Comm Dev.	2,000,000	2,000,000	3/27/2038	1%
410 Asylum Street LLC	City of Hartford, CT	242,813	242,813	8/1/2039	1%
410 Asylum Street LLC	Connecticut Housing Finance Authority	-	6,828,941	11/1/2012	5.25%
410 Asylum Street LLC	Connecticut Housing Finance Authority	3,839,412	3,967,700	2/1/2042	5.25%
410 Asylum Street LLC	Connecticut Housing Finance Authority	5,976,378	5,954,790	3/1/2041	Non-interest bearing
Hegemen Ave Housing LP	NYC Department of Housing Preservation and Development	3,440,065	3,440,065	6/1/2030	1%
Hegemen Ave Housing LP	NYS Homeless Housing Assistance Corporation	5,580,554	5,580,554	12/8/2039	1%
Hegemen Ave Housing LP	New York Housing Finance Agency (Bond)	18,368,645	2,984,507	5/1/2040	Floating rate
Hegemen Ave Housing LP	New York Housing Finance Agency (Subsidy loan)	659,726	659,726	5/2/2040	1%

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

Common Ground and Affiliates	Lender	Loans Payable at December 31, 2011	Loans Payable at December 31, 2010	Maturity Date	Interest Rate
CG Cedarwood Housing LLC	Connecticut Housing Finance Authority (TCAP)	5,619,043	2,365,798	10/1/2060	Non-interest bearing
CG Cedarwood Housing LLC	State of Connecticut Department of Economic and Comm Dev.	2,910,291	-	12/15/2060	Non-interest bearing
CG Cedarwood Housing LLC	Sponsor Note	222	-		
1630 Dewey LLC	City of Rochester Community Development Housing and Project Development	516,558	-	6/30/2012	1%
1630 Dewey LLC	NYS Homeless Housing Assistance Corporation	2,881,816	-	9/1/2040	1%
1630 Dewey LLC	Chase (Construction Loan - CPC)	1,930,202	857,811		
	Total loans payable	217,517,261	233,728,933		
	Less: Current portion	1,393,277	11,396,638		
	Long-term portion	<u>\$ 216,123,984</u>	<u>\$ 222,332,295</u>		

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

Scheduled maturities of the loans payable at December 31, 2011 follow:

<u>Year ending December 31:</u>	<u>Amount</u>
2012	\$ 1,393,277
2013	548,799
2014	1,287,632
2015	114,119
2016	126,234
Thereafter	<u>214,047,200</u>
	<u><u>\$ 217,517,261</u></u>

All loans made to Common Ground, for the purpose of acquiring real estate, are secured by the respective properties that they have financed. Loans to limited partnership entities for construction or acquisition are secured by the property of the respective partnership. Some of the loans made for corporate purposes and for working capital needs are secured by various accounts receivable and deposit accounts.

The total interest of \$3,016,395 and \$3,551,015 was recorded for the years ended December 31, 2011 and 2010, of which \$2,168,436 and \$2,144,848, respectively, was expensed and \$847,959 and \$1,406,167, respectively, was capitalized.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

NOTE 6 - GOVERNMENT GRANTS AND CONTRACTS

Government grants and contracts revenue for years ended December 31, 2011 and 2010, received by Common Ground from various federal, New York City and state government agencies, consisted of the following:

	2011	2010
NYC Department of Homeless Services	\$ 11,890,400	\$ 11,113,892
US Department of Housing and Urban Development	1,084,472	2,558,340
NYC HIV/AIDS Services Administration	2,563,919	1,466,072
NYS Department of Health and Mental Hygiene	2,538,886	1,883,027
Department of Veteran Affairs	878,761	460,713
NYS Office of Temporary and Disability Assistance	339,954	422,152
Other Government Agencies	20,000	100,055
	<u>\$ 19,316,392</u>	<u>\$ 18,004,251</u>

Government Contracting

Common Ground recognizes revenue from grants and contracts from government agencies based on actual costs incurred and reimbursable expenses from the granting agencies. These costs are subject to audit by the Office of the Inspector General and ultimate realization of revenue recognized is contingent upon the outcome of such audits. In the opinion of management, adequate provisions have been made in the accompanying consolidated financial statements for adjustments, if any, which may result from such audits.

NOTE 7 - 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. Common Ground made Plan contributions of \$247,709 and \$244,299 for the years ended December 31, 2011 and 2010, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Leases

Common Ground leases office space for its headquarters, and space for its social services programs, under operating leases which expire at various dates through 2024 and, is obligated to pay annual rental and an additional amount based upon escalations in real estate taxes, maintenance and utility costs. Rent expense totaled \$2,075,801 and \$2,224,795 for the years ended December 31, 2011 and 2010, respectively. The related future minimum lease payments as of December 31, 2011 follow:

<u>Year ending December 31:</u>	<u>Amount</u>
2012	\$ 1,850,551
2013	993,475
2014	768,392
2015	779,940
2016	731,007
Thereafter	<u>4,176,705</u>
	<u>\$ 9,300,070</u>

Common Ground entered into commercial leases and subleases with various commercial tenants under operating leases which expire at various dates through February 2024. Rent revenue totaled \$1,315,561 and \$1,695,505 for the years ended December 31, 2011 and 2010, respectively. Estimated future minimum receipts due under the terms of the leases are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2012	\$ 1,140,778
2013	1,173,174
2014	1,183,904
2015	1,167,117
2016	1,063,956
Thereafter	<u>4,977,163</u>
	<u>\$ 10,706,092</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

Guarantees

Common Ground, through its affiliates, is the General Partner of and sponsors of the Chelsea Residence L.P., Prince George L.P., Schermerhorn House L.P., Pitt Street L.P., Brook Avenue Housing L.P., 410 Asylum Street LLC, 410 Asylum Street Historic LLC, St. Mark's Brownsville L.P., Hegeman Avenue L.P., CG Cedarwood Housing LLC, and 1630 Dewey Avenue LLC.

Common Ground has guaranteed the obligations of its general partnership entities to the respective limited partners for tax credit compliance, operating deficits and construction completion for buildings under development. These obligations of Common Ground to the respective limited partnerships are limited by both time and amounts as follows:

Chelsea Residence L.P.: Guarantee for tax credit compliance and operating deficits is limited to the greater of \$500,000 or the amount that has accumulated in the entity's sponsor reserve account. As of December 31, 2011 and 2010, the amount of such guarantee was \$526,406 and \$520,812, respectively, expiring in 2018.

Prince George Associates L.P.: Guarantee for tax credit compliance and operating deficits is limited to the greater of \$500,000 or the amount that has accumulated in the entity's sponsor reserve account. As of December 31, 2011 and 2010, the amount of such guarantee was \$1,090,320 and \$1,290,320, respectively, expiring 2013.

Schermerhorn House L.P.: Guarantee for tax credit compliance and operating deficits is limited to \$730,000. As of December 31, 2011 and 2010, the amount of such guarantee was \$730,000, respectively, expiring in 2024.

Pitt Street L.P.: Guarantee for tax credit compliance and operating deficits is limited to \$1,000,000. As of December 31, 2011 and 2010, the amount of such guarantee was \$1,000,000, respectively, expiring 2025. In addition, in its capacity as developer of Pitt Street L.P., CGC II 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, CGC II 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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

aforementioned tax-exempt bond offering. This guarantee was paid in full in March 2010 and the loan was converted into permanent financing.

Brook Avenue Housing L.P.: Guarantee of tax credit compliance and operating deficits is limited to the amount of the development fee that has been paid to the developer. As of December 31, 2011 and 2010, the amount of such guarantee was \$3,667,785 and \$2,466,374, respectively, expiring 2025. In addition, in its capacity as developer of Brook Avenue Housing L.P., CGC II has issued a Construction Completion Guarantee in favor of the Bank of America. Bank of America 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 Brook Avenue project, CGC II has issued a guarantee of \$22.3 million for a construction loan from the New York State Housing Finance Agency, the proceeds of which were raised in the aforementioned tax-exempt bond offering. This guarantee will be relieved upon the permanent financing of the property, which occurred in September 2010.

410 Asylum Street LLC and 410 Asylum Street Historic LLC: Guarantee of tax credit compliance is limited to \$1,750,000. CGC has guaranteed to fund operating deficits up to \$325,000 for a period of three years from the date of breakeven operations, achieved on August 31, 2011.

St. Mark's Brownsville L.P.: Unconditional guarantee of tax credit compliance and construction completion. CGC has additionally guaranteed the payment of operating deficits prior to breakeven, which is limited to \$1.4 million or the amount of the developer fees paid, which at December 31, 2011 and 2010 was \$ 420,000 and \$400,000 respectively. Once breakeven is achieved, the guarantee for operating deficits is limited to \$303,633 for a period of three years.

Hegeman Avenue Housing L.P.: Unconditional guarantee of tax credit compliance and construction completion. CGC has guaranteed to lend to the Partnership any amounts required to fund operating deficits incurred by the Partnership during the tax credit compliance period not otherwise funded from the operating reserve. In addition, in its capacity as developer of Hegeman LP, JP Morgan Chase has issued a letter of credit to enhance the credit rating of a tax-exempt bond offering by the NY State Housing Finance Agency (HFA), 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 Hegeman project, CGC II has issued a

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

guarantee of \$22.8 million for a construction loan from the New York State Housing Finance Agency, the proceeds of which were raised in the aforementioned tax-exempt bond offering. This guarantee will be relieved upon the permanent financing of the property, which is expected to occur in December 2012.

Common Ground Cedarwoods Housing LLC: Guarantee of tax credit compliance and construction completion. CGC has guaranteed to lend the Partnership an amount up to \$192,432 required to fund operating deficits incurred by the Partnership during the operating guarantee period, as defined in the Operating Agreement, that are not funded from the operating deficit reserve account. The Operating Deficit Reserve is to be funded from the Investor Members' fifth installment of the Project equity, in the amount of \$434,360 and shall be maintained until the end of the Partnership compliance period as defined.

1630 Dewey Avenue LLC: The Developer (Norstar Development USA, LP) guarantee the construction completion and development deficit. The Sponsor/Co-Developers (CGC II) guarantee the tax credit compliance and to fund operating deficits arising after the expiration of the Completion and Development Deficit Guaranty, CGC guarantee to fund a reserve to be held at the Project equal to the greater of \$225,000 or six months of the final underwritten maintenance and operating expenses and will be released provide the project maintains a minimum of 1.05 to 1.0 income to expense ratio over the last 12 months.

Management Fee Guaranty

The Housing Entities are obligated under various agreements with property management companies expiring on various dates, in connection with the management of the rental operations of the project. The property management fee is based on certain percentages of the monthly rents collected of the project, as defined.

NOTE 9 - CONTINGENCY

Common Ground Ventures (Ventures) had a 10-year lease with the NYC Economic Development Corporation (EDC) for retail space in uptown Manhattan which expired December 31, 2011. In connection with that lease, EDC has claimed \$1,195,939 in damages. This amount comprises \$626,237 in unpaid rent, \$558,202 in interest, and \$11,500 in audit cost reimbursement, but EDC has agreed to waive the interest and fees. EDC has advised Common Ground that it may seek to recover on this claim from Common Ground. Common Ground believes it has meritorious defenses to all the asserted claims. Ventures believes it has meritorious defenses and/or claims against unaffiliated third parties for all

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

asserted claims, and the liability, if any, should not exceed \$150,000. This amount has been included in the accompanying financial statements for the year-ended December 31, 2011.

NOTE 10 - ALLOCATION OF DEPRECIATION AND AMORTIZATION AND INTEREST AND SERVICE FEES

To report depreciation and amortization and interest and service fees expense as a functional expense, CGC allocated direct costs incurred of individual buildings (LP's and LLC's) to Affordable Housing, and amounts incurred by the not-for-profit entities based estimates of the office square footage.

For the years ended December 31, 2011 and 2010, the total depreciation and interest expenses were allocated to the respective functional categories:

	Functional Expenses		Depreciation		Interest Expense	
	2011	2010	2011	2010	2011	2010
Social Service	\$ 20,345,791	\$ 19,889,770	\$ 1,006,396	\$ 963,367	\$ 132,030	\$ 111,230
Housing Management and Development	1,347,162	4,031,013	126,909	152,465	122,642	207,185
Affordable Housing	15,967,604	15,580,380	8,665,003	6,913,803	1,791,122	1,619,248
General and Administrative	4,961,525	3,828,034	126,909	152,464	122,642	207,185
Fundraising	639,824	1,115,093	-	-	-	-
	<u>\$ 43,261,906</u>	<u>\$ 44,444,290</u>	<u>\$ 9,925,216</u>	<u>\$ 8,182,099</u>	<u>\$ 2,168,436</u>	<u>\$ 2,144,848</u>

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2011 and 2010 consisted of the following:

	2011	2010
Green Design	\$ -	\$ 1,535,024
Brownsville Partnership	-	836,042
Common Ground National	-	790,686
100,000 Homes Campaign	-	761,835
Housing Operations and Tenant Services	226,000	462,083
Street to Home Veteran's Initiative	172,208	-
HUD Capital Advance	8,206,207	-
	<u>\$ 8,604,415</u>	<u>\$ 4,385,670</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTION

Temporarily restricted net assets were released from restrictions during the years ended December 31, 2011 and 2010, in satisfaction of donor time or use restrictions as follows:

	2011	2010
Green Design	\$ 1,535,024	\$ 850,000
Brownsville Partnership	836,042	1,316,592
Common Ground National	790,686	583,532
100,000 Homes Campaign	761,835	528,885
Resource Development	264,465	-
Housing Operations and Tenant Services	462,083	824,517
Housing Development	-	278,525
Montrose	-	8,800
	<u>\$ 4,650,135</u>	<u>\$ 4,390,851</u>

NOTE 13 - RESTRUCTURE

Effective August 1, 2011, Common Ground restructured its national programs and the Brownsville Partnership and transferred them in the amount of \$1,455,774 to a new tax exempt entity, Community Solutions, Inc., which is fully independent of Common Ground. Common Ground will continue to build and operate supportive and low income housing residences in the New York City area, including its street outreach programs.

NOTE 14 - CAPITAL ADVANCE

Funds for the acquisition of the residence of St. Marks Brownsville, LP, were provided by HUD through a Section 202 capital advance in the amount of \$8,206,207. This advance is evidenced by the first deed of trust mortgage. However, the terms of the capital advance do not require payment of this grant on the condition that the Organization operates the residence in accordance with the HUD regulatory agreement for the period of 40 years. Upon satisfaction of the aforementioned condition, the deed of trust mortgage will be cancelled by HUD. This capital advance is presented as temporarily restricted net assets at December 31, 2011.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 (with Comparative totals for 2010)

NOTE 15 - SUBSEQUENT EVENTS

Common Ground evaluated its December 31, 2011 consolidated financial statements for subsequent events through June 25, 2012, the date the consolidated financial statements were available to be issued and determined that the following information was pertinent.

On January 26, 2012, Common Ground Community II Housing Development Fund Corporation signed a contract with the New Covenant Faith & Miracle Arena, Inc. to purchase vacant land located at 1191 Boston Road, Bronx. The contract is for \$2,575,000 and a five percent deposit was made to the seller. A mid-year 2012 closing on the acquisition is expected.

Construction of The Hegeman Residence was completed in March 2012 and a temporary certificate of occupancy was issued by the Department of Buildings on March 28, 2012. Occupancy commenced on April 30, 2012 and as of June 1, 2012, all 161 units were leased.

Construction of Cedarwoods in Willimantic, Connecticut was completed in March 2012 and a permission to occupy was issued by the Connecticut Housing Finance Agency on April 9, 2012. Occupancy commenced on April 9, 2012 and as of June 1, 2012, 36 units of the 60 units were leased.

Construction of 1630 Dewey Residence was completed in May 2012. New York State Homes and Community Renewal (HCR) issued permission to occupy on May 25, 2012. Occupancy commenced May 30, 2012. As of June 1, 2012, 39 of the 80 units were leased.

SUPPLEMENTAL INFORMATION

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

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION – NOT-FOR-PROFIT ENTITIES

December 31, 2011

	Common Ground Community H.D.F.C., Inc.	Common Ground Management Corp.	Common Ground Community II H.D.F.C., Inc.	Common Ground Community III H.D.F.C., Inc.	Common Ground Community IV H.D.F.C., Inc.	Common Ground Jobs Training Corp.	Common Ground Ventures Corp.	Common Ground of R.C. Corp.	Schermerhorn House H.D.F.C. Inc.	St. Mark's Brownsville H.D.F.C., Inc.	General Partners	Total Not-for- Profit Entities
CURRENT ASSETS												
Cash	\$ 937,286	\$ 819,862	\$ 486,814	\$ 750	\$ 2,341	\$ 39,154	\$ 250	\$ -	\$ -	\$ -	\$ 2,845	\$ 2,289,302
Accounts receivable, net	2,590,455	1,219,935	393,337	63,401	1,394,913	-	-	-	-	-	1,766	5,663,807
Advances due from affiliates	59,849,543	11,804,357	9,521,077	702,701	-	4,951,634	1,146,311	-	158,284	353,500	300,006	88,787,413
Development fee receivable - short term	2,186,251	-	-	-	-	-	-	-	-	-	-	2,186,251
Other current assets	809,743	329,374	6,276	-	10,465	23,251	17,761	-	10	-	-	1,196,880
Total current assets	66,373,278	14,173,528	10,407,504	766,852	1,407,719	5,014,039	1,164,322	-	158,294	353,500	304,617	100,123,653
PROPERTY AND EQUIPMENT												
Construction-in-progress	598,980	-	-	-	-	-	-	-	-	-	-	598,980
Property and equipment	40,898,748	436,070	-	-	15,310,383	1,147,715	5	-	-	-	-	57,792,921
	41,497,728	436,070	-	-	15,310,383	1,147,715	5	-	-	-	-	58,391,901
NONCURRENT ASSETS												
Lender restricted cash and contractual reserves:												
Lender restricted cash	3,006,634	19	-	-	1,020,709	-	-	-	-	-	-	4,027,362
Contractual reserves	9,078,587	-	2,471,590	-	25,962	2,321,967	-	-	-	-	-	13,898,106
Total lender restricted cash and contractual reserves	12,085,221	19	2,471,590	-	1,046,671	2,321,967	-	-	-	-	-	17,925,468
Tenant security deposits	206,261	-	-	-	-	274,932	11,469	-	-	-	-	492,662
Development fee receivable - long-term, and accrued interest	4,107,041	-	13,997,927	-	-	509,720	-	-	-	-	-	18,614,688
Accrued interest on notes receivable - affiliates	1,175,046	-	109,053	-	-	-	-	-	-	-	-	1,284,099
Notes receivable - affiliates	15,814,707	771,094	9,178,984	-	-	1,979,694	-	-	-	-	-	27,744,479
Investments in housing entities	-	-	1,287,511	(16,002)	-	-	-	-	(8,995)	120	(3,181)	1,259,453
Total noncurrent assets	33,388,276	771,113	27,045,065	(16,002)	1,046,671	5,086,313	11,469	-	(8,995)	120	(3,181)	67,320,849
Total assets	\$ 141,259,282	\$ 15,380,711	\$ 37,452,569	\$ 750,850	\$ 17,764,773	\$ 11,248,067	\$ 1,175,796	\$ -	\$ 149,299	\$ 353,620	\$ 301,436	\$ 225,836,403

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

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION –NOT-FOR-PROFIT ENTITIES - CONTINUED

December 31, 2011

	Common Ground Community H.D.F.C., Inc.	Common Ground Management Corp.	Common Ground Community II H.D.F.C., Inc.	Common Ground Community III H.D.F.C., Inc.	Common Ground Community IV H.D.F.C., Inc.	Common Ground Jobs Training Corp.	Common Ground Ventures Corp.	Common Ground of R.C. Corp.	Schermerhorn House H.D.F.C. Inc.	St. Mark's Brownsville H.D.F.C., Inc.	General Partners	Total Not-for- Profit Entities
CURRENT LIABILITIES												
Accounts payable and accruals	\$ 1,912,863	\$ 4,746,194	\$ 144,048	\$ 51,736	\$ 415,456	\$ 46,140	\$ 150,000	\$ -	\$ 101	\$ 200	\$ 1,998	\$ 7,468,736
Accounts payable - construction	-	-	-	-	128,066	-	-	-	-	-	-	128,066
Due to affiliates - short-term	26,357,700	41,318,467	3,319,486	720,194	5,136,402	1,280,753	1,326,826	282,072	2,617,715	8,272	63,010	82,430,897
Prepaid rent	13,491	-	-	-	1,071	-	-	-	-	-	-	14,562
Deferred revenue - current portion	1,131,583	-	430,166	-	133,333	38,162	-	-	-	-	-	1,733,244
Mortgages and notes payable, current maturities	1,075,000	300,000	-	-	-	-	-	-	-	-	-	1,375,000
Total current liabilities	30,490,637	46,364,661	3,893,700	771,930	5,814,328	1,365,055	1,476,826	282,072	2,617,816	8,472	65,008	93,150,505
NONCURRENT LIABILITIES												
Security deposits	271,689	7,396	-	-	6,729	280,812	25,665	-	-	-	-	592,291
Accrued interest - mortgage and notes	-	-	-	-	183,721	-	-	-	-	-	-	183,721
Deferred revenue	6,171,215	-	4,500,377	-	547,174	-	-	-	-	-	-	11,218,766
Mortgage and notes payable, net of current maturities	30,291,091	300,000	-	-	11,846,545	-	-	-	-	-	-	42,437,636
Total noncurrent liabilities	36,733,995	307,396	4,500,377	-	12,584,169	280,812	25,665	-	-	-	-	54,432,414
Total liabilities	67,224,632	46,672,057	8,394,077	771,930	18,398,497	1,645,867	1,502,491	282,072	2,617,816	8,472	65,008	147,582,919
NET ASSETS												
Unrestricted	65,481,250	(31,317,361)	29,033,492	(21,080)	(633,724)	9,602,200	(326,695)	(282,072)	(2,468,517)	345,148	236,428	69,649,069
Temporarily restricted	8,553,400	26,015	25,000	-	-	-	-	-	-	-	-	8,604,415
Total net assets	74,034,650	(31,291,346)	29,058,492	(21,080)	(633,724)	9,602,200	(326,695)	(282,072)	(2,468,517)	345,148	236,428	78,253,484
Total liabilities and net assets	\$ 141,259,282	\$ 15,380,711	\$ 37,452,569	\$ 750,850	\$ 17,764,773	\$ 11,248,067	\$ 1,175,796	\$ -	\$ 149,299	\$ 353,620	\$ 301,436	\$ 225,836,403

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

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION - HOUSING ENTITIES

December 31, 2011

	Prince George Associates LP	Chelsea Residence LP	Schermerhorn House LP	Pitt Street LP	Brook Avenue Housing LP	St. Mark's Brownsville LP	410 Asylum Street LLC	410 Asylum Street Historic LLC	Hegeman Avenue Housing LP	CG Cedarwoods Housing, LLC	1630 Dewey Avenue LLC	Total Housing Entities
CURRENT ASSETS												
Cash	\$ 49,631	\$ 89,091	\$ 54,251	\$ 49,064	\$ 71,613	\$ 98,118	\$ 334,568	\$ 226,274	\$ 28,683	\$ 687,861	\$ 2,789	\$ 1,691,943
Accounts receivable	300,254	80,367	222,738	132,177	202,518	87,626	102,379	20,619	-	-	-	1,148,678
Advances due from affiliates	284,000	731,391	1,383,899	84,370	451,645	-	-	1,652,814	-	5,261	-	4,593,380
Other current assets	1,240	6,999	14,570	13,347	10,585	12,699	60,147	1,794,664	116,416	-	-	2,030,667
Total current assets	635,125	907,848	1,675,458	278,958	736,361	198,443	497,094	3,694,371	145,099	693,122	2,789	9,464,668
PROPERTY AND EQUIPMENT												
Construction-in-progress	92,506	-	-	-	-	-	108,601	-	39,595,097	12,381,297	10,220,865	62,398,366
Property and equipment, net	33,220,149	23,013,766	53,663,649	54,784,189	37,474,931	24,066,354	20,132,153	12,084	-	-	-	246,367,275
	33,312,655	23,013,766	53,663,649	54,784,189	37,474,931	24,066,354	20,240,754	12,084	39,595,097	12,381,297	10,220,865	308,765,641
NONCURRENT ASSETS												
Lender restricted cash and contractual reserves:												
Contractual reserves	517,888	941,994	2,141,399	3,733,036	697,653	-	2,027,652	-	930,261	947	-	10,990,830
Total lender restricted cash and contractual reserves	517,888	941,994	2,141,399	3,733,036	697,653	-	2,027,652	-	930,261	947	-	10,990,830
Tenant security deposits	138,949	57,744	111,401	83,403	68,654	13,521	-	64,433	-	-	-	538,105
Other assets, net	71,377	142,056	283,274	534,028	190,635	146,058	105,721	-	-	-	-	1,473,149
Total noncurrent assets	728,214	1,141,794	2,536,074	4,350,467	956,942	159,579	2,133,373	64,433	930,261	947	-	13,002,084
Total assets	\$ 34,675,994	\$ 25,063,408	\$ 57,875,181	\$ 59,413,614	\$ 39,168,234	\$ 24,424,376	\$ 22,871,221	\$ 3,770,888	\$ 40,670,457	\$ 13,075,366	\$ 10,223,654	\$ 331,232,393

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

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION - HOUSING ENTITIES - CONTINUED

December 31, 2011

	Prince George Associates LP	Chelsea Residence LP	Schermerhorn House LP	Pitt Street LP	Brook Avenue Housing LP	St. Mark's Brownsville LP	410 Asylum Street LLC	410 Asylum Street Historic LLC	Hegeman Avenue Housing LP	CG Cedarwoods Housing, LLC	1630 Dewey Avenue LLC	Total Housing Entities
CURRENT LIABILITIES												
Accounts payable and accruals	\$ 525,261	\$ 96,755	\$ 43,754	\$ 28,214	\$ 41,511	\$ 40,407	\$ 45,429	\$ 244,018	\$ 20,476	\$ -	\$ 428,589	\$ 1,514,414
Accounts payable - construction	169,813	437,070	1,389,551	1,421,209	592,990	1,831,357	-	-	2,347,706	1,162,652	2,217,881	11,570,229
Due to affiliates - short-term	1,248,865	1,036,142	1,783,932	25,305	110,000	832,528	4,676,085	167,081	113,359	579,573	52,490	10,625,360
Prepaid rent	20,587	6,455	10,307	12,167	5,145	1,353	1,788,277	-	-	-	-	1,844,291
Development fee payable - short term	447,300	62,420	-	-	-	-	1,006,856	-	-	636,462	33,213	2,186,251
Mortgages and notes payable, current maturities	-	-	-	-	-	-	18,277	-	-	-	-	18,277
Total current liabilities	<u>2,411,826</u>	<u>1,638,842</u>	<u>3,227,544</u>	<u>1,486,895</u>	<u>749,646</u>	<u>2,705,645</u>	<u>7,534,924</u>	<u>411,099</u>	<u>2,481,541</u>	<u>2,378,687</u>	<u>2,732,173</u>	<u>27,758,822</u>
NONCURRENT LIABILITIES												
Security deposits	138,188	57,744	111,781	83,508	68,708	13,306	-	62,895	-	-	-	536,130
Accrued interest payable - mortgage and notes	2,192,515	534,797	543,168	304,304	322,032	42,071	84,750	-	75,170	-	-	4,098,807
Accrued interest payable - affiliate loans	-	-	-	109,053	-	1,144,382	-	-	30,664	-	-	1,284,099
Development fee payable - long-term	-	-	4,266,436	6,850,000	1,652,248	1,020,000	-	-	4,391,400	41,688	392,916	18,614,688
Affiliate notes payable	8,579,694	1,000,000	708,840	2,008,995	1,537,500	9,639,707	699,754	-	3,000,000	-	569,989	27,744,479
Mortgage and notes payable, net of current maturities	<u>16,606,976</u>	<u>21,728,723</u>	<u>26,559,142</u>	<u>31,190,758</u>	<u>21,100,000</u>	<u>2,553,300</u>	<u>12,040,326</u>	<u>-</u>	<u>28,048,990</u>	<u>8,529,557</u>	<u>5,328,576</u>	<u>173,686,348</u>
Total noncurrent liabilities	<u>27,517,373</u>	<u>23,321,264</u>	<u>32,189,367</u>	<u>40,546,618</u>	<u>24,680,488</u>	<u>14,412,766</u>	<u>12,824,830</u>	<u>62,895</u>	<u>35,546,224</u>	<u>8,571,245</u>	<u>6,291,481</u>	<u>225,964,551</u>
Total liabilities	<u>29,929,199</u>	<u>24,960,106</u>	<u>35,416,911</u>	<u>42,033,513</u>	<u>25,430,134</u>	<u>17,118,411</u>	<u>20,359,754</u>	<u>473,994</u>	<u>38,027,765</u>	<u>10,949,932</u>	<u>9,023,654</u>	<u>253,723,373</u>
Controlling interest	(1,253)	(614)	(497)	(189)	(324)	791	1,274,695	(12)	-	-	-	1,272,597
Non-controlling interest	<u>4,748,048</u>	<u>103,916</u>	<u>22,458,767</u>	<u>17,380,290</u>	<u>13,738,424</u>	<u>7,305,174</u>	<u>1,236,772</u>	<u>3,296,906</u>	<u>2,642,692</u>	<u>2,125,434</u>	<u>1,200,000</u>	<u>76,236,423</u>
Total partners' equity (deficit)	<u>4,746,795</u>	<u>103,302</u>	<u>22,458,270</u>	<u>17,380,101</u>	<u>13,738,100</u>	<u>7,305,965</u>	<u>2,511,467</u>	<u>3,296,894</u>	<u>2,642,692</u>	<u>2,125,434</u>	<u>1,200,000</u>	<u>77,509,020</u>
Total liabilities and partners' equity (deficit)	<u>\$ 34,675,994</u>	<u>\$ 25,063,408</u>	<u>\$ 57,875,181</u>	<u>\$ 59,413,614</u>	<u>\$ 39,168,234</u>	<u>\$ 24,424,376</u>	<u>\$ 22,871,221</u>	<u>\$ 3,770,888</u>	<u>\$ 40,670,457</u>	<u>\$ 13,075,366</u>	<u>\$ 10,223,654</u>	<u>\$ 331,232,393</u>

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

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF ACTIVITIES – NOT-FOR-PROFIT ENTITIES

Year ended December 31, 2011

	Common Ground Community H.D.F.C., Inc.	Common Ground Management Corp.	Common Ground Community II H.D.F.C., Inc.	Common Ground Community III H.D.F.C., Inc.	Common Ground Community IV H.D.F.C., Inc.	Common Ground Jobs Training Corp.	Common Ground Ventures Corp.	Common Ground of R.C. Corp.	Schermerhorn House H.D.F.C. Inc.	St. Mark's Brownsville H.D.F.C., Inc.	General Partners	Total Non-profit Entities
Revenues and support:												
Contributions	\$ 3,078,816	\$ 474,028	\$ 27,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,580,344
Government grants and contracts	11,095,934	2,722,642	1,502,362	252,513	3,742,941	-	-	-	-	-	-	19,316,392
Management and partnership fees	-	1,709,817	-	-	-	-	-	-	-	-	150,000	1,859,817
Development fees	(288,513)	-	2,905,748	-	-	-	-	-	-	-	-	2,617,235
Rental income	8,680,384	-	-	-	65,139	899,982	144,869	-	-	-	-	9,790,374
Investment income	702,641	19	154,318	-	-	5,594	-	-	-	-	-	862,572
Other income (loss)	467,783	351,838	(56,006)	(1,934)	-	1,292	-	-	(6,322)	(80)	(582)	755,989
Total revenues and support	23,737,045	5,258,344	4,533,922	250,579	3,808,080	906,868	144,869	-	(6,322)	(80)	149,418	38,782,723
Expenses												
Program services:												
Social services	12,643,127	4,557,401	1,130,278	256,669	3,695,478	18,902	-	-	-	-	-	22,301,855
Housing management and development	-	2,400,324	-	-	-	-	-	-	-	-	-	2,400,324
Affordable housing operations	5,733,993	-	-	-	-	-	-	-	-	-	-	5,733,993
Total program services	18,377,120	6,957,725	1,130,278	256,669	3,695,478	18,902	-	-	-	-	-	30,436,172
Supporting services												
General and administrative	395,134	3,607,699	979	50	-	672,394	199,870	-	-	2,400	82,999	4,961,525
Fundraising	49,500	590,324	-	-	-	-	-	-	-	-	-	639,824
Depreciation and amortization	1,734,173	116,732	-	-	560,745	232,446	38,128	-	-	-	-	2,682,224
Interest and service fees	502,873	89,447	-	-	102,655	29,375	-	-	-	-	-	724,350
Total supporting services	2,681,680	4,404,202	979	50	663,400	934,215	237,998	-	-	2,400	82,999	9,007,923
Total expenses	21,058,800	11,361,927	1,131,257	256,719	4,358,878	953,117	237,998	-	-	2,400	82,999	39,444,095
Change in net assets before other nonrecurring items	2,678,245	(6,103,583)	3,402,665	(6,140)	(550,798)	(46,249)	(93,129)	-	(6,322)	(2,480)	66,419	(661,372)
Contribution and release of net assets to Community Solutions Inc.	(503,728)	(952,046)	-	-	-	-	-	-	-	-	-	(1,455,774)
Gain on forgiveness of loan	226,668	-	396,668	-	33,334	-	-	-	-	-	-	656,670
Change in net assets	2,401,185	(7,055,629)	3,799,333	(6,140)	(517,464)	(46,249)	(93,129)	-	(6,322)	(2,480)	66,419	(1,460,476)
Net assets, beginning of year	71,633,465	(24,235,717)	25,259,159	(14,940)	(116,260)	9,648,449	(233,566)	(282,072)	(2,462,195)	347,628	170,009	79,713,960
Net assets, end of year	\$ 74,034,650	\$ (31,291,346)	\$ 29,058,492	\$ (21,080)	\$ (633,724)	\$ 9,602,200	\$ (326,695)	\$ (282,072)	\$ (2,468,517)	\$ 345,148	\$ 236,428	\$ 78,253,484

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

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF ACTIVITIES - HOUSING ENTITIES

Year ended December 31, 2011

	Prince George Associates LP	Chelsea Residence LP	Schermerhorn House LP	Pitt Street LP	Brook Avenue Housing LP	St. Mark's Brownsville LP	410 Asylum Street LLC	410 Asylum Street Historic LLC	Hegeman Avenue Housing LP	CG Cedarwoods Housing, LLC	1630 Dewey Avenue LLC	Total Housing Entities
Revenues and support:												
Rental income	\$ 3,852,366	\$ 1,850,542	\$ 2,069,524	\$ 2,037,073	\$ 1,821,345	\$ 545,764	\$ 292,780	\$ 835,089	\$ -	\$ -	\$ -	\$ 13,304,483
Investment income	5,740	2,953	-	14,636	-	-	4,894	-	-	-	-	28,223
Other income	201,320	68,280	142,791	96,668	87,599	216,751	79	53,493	-	-	-	866,981
Total revenues and support	4,059,426	1,921,775	2,212,315	2,148,377	1,908,944	762,515	297,753	888,582	-	-	-	14,199,687
Expenses												
Program services:												
Affordable housing operations	3,457,515	1,756,623	1,712,346	1,710,023	1,540,470	604,433	197,041	928,496	-	-	-	11,906,947
Total program services	3,457,515.00	1,756,623	1,712,346	1,710,023	1,540,470	604,433	197,041	928,496	-	-	-	11,906,947
Supporting services												
Depreciation and amortization	1,162,963	634,346	1,613,916	1,549,043	1,183,919	580,247	747,905	1,347	-	-	-	7,473,686
Interest and service fees	193,838	71,081	265,592	229,644	204,228	379,337	556,898	-	-	-	-	1,900,618
Total supporting services	1,356,801	705,427	1,879,508	1,778,687	1,388,147	959,584	1,304,803	1,347	-	-	-	9,374,304
Total expenses	4,814,316	2,462,050	3,591,854	3,488,710	2,928,617	1,564,017	1,501,844	929,843	-	-	-	21,281,251
Net income (loss)	\$ (754,890)	\$ (540,275)	\$ (1,379,539)	\$ (1,340,333)	\$ (1,019,673)	\$ (801,502)	\$ (1,204,091)	\$ (41,261)	\$ -	\$ -	\$ -	\$ (7,081,564)