

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

**Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2012 and 2011

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

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Common Ground Community H.D.F.C., Inc. and Affiliates, which comprise the consolidated statement of financial position (with supplementary information) as of December 31, 2012, the related consolidated statements of activities (with supplementary information), changes in net assets and cash flows for the year ended December 31, 2012; and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the 2012 consolidated financial statements as a whole. The accompanying supplementary information included in the consolidated statement of financial position as of December 31, 2012 and the consolidated statement of activities for the year ended December 31, 2012 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information included in the accompanying statements on pages 35 through 38 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and the changes in net assets of the individual organizations, and it is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 consolidated financial statements or to the 2012 consolidated 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 2012 consolidated financial statements as a whole.

The consolidated financial statements of Common Ground Community H.D.F.C., Inc. and Affiliates as of December 31, 2011, were audited by other auditors, whose report dated September 25, 2012, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

New York, New York
September 30, 2013

Common Ground Community H.D.F.C., Inc. and Affiliates
Consolidated Statements of Financial Position (with Supplementary Information)
December 31, 2012 and 2011

	2012				
	Not-for-Profit Entities (Supplementary Information)	Housing Entities (Supplementary Information)	Eliminations (Supplementary Information)	Consolidated	2011
Current Assets					
Cash	\$ 2,217,538	\$ 1,812,957	\$ -	\$ 4,030,495	\$ 3,981,245
Accounts receivable, net	10,154,601	1,593,853	(323,525)	11,424,929	6,626,514
Advances due from affiliates	13,042,724	5,658,023	(18,700,747)	-	-
Development fees receivable	1,091,226	-	-	1,091,226	2,186,251
Other current assets	1,240,688	106,050	-	1,346,738	1,703,659
Total current assets	27,746,777	9,170,883	(19,024,272)	17,893,388	14,497,669
Property and Equipment					
Construction-in-progress	1,418,791	-	-	1,418,791	61,931,751
Property and equipment, net	58,202,311	308,638,950	(9,682,375)	357,158,886	295,343,174
Total property and equipment	59,621,102	308,638,950	(9,682,375)	358,577,677	357,274,925
Other Noncurrent Assets					
Lender restricted cash and contractual reserves:					
Lender restricted cash	3,936,215	-	-	3,936,215	4,027,362
Contractual reserves	11,555,324	9,189,047	-	20,744,371	24,888,936
Total lender restricted cash and contractual reserves	15,491,539	9,189,047	-	24,680,586	28,916,298
Tenant security deposits	493,509	638,042	-	1,131,551	1,030,767
Development fees receivable and accrued interest	18,537,815	-	(9,994,296)	8,543,519	8,351,332
Accrued interest receivable - affiliate notes	1,894,110	-	(1,894,110)	-	-
Affiliate notes receivable	29,998,433	-	(29,998,433)	-	-
Other assets, net	1,695,452	2,069,573	-	3,765,025	1,473,149
Investments in housing entities	3,285,770	-	(3,285,770)	-	-
Total other noncurrent assets	71,396,628	11,896,662	(45,172,609)	38,120,681	39,771,546
Total assets	\$ 158,764,507	\$ 329,706,495	\$ (73,879,256)	\$ 414,591,746	\$ 411,544,140

See Notes to Consolidated Financial Statements.

Common Ground Community H.D.F.C., Inc. and Affiliates
Consolidated Statements of Financial Position (with Supplementary Information)
December 31, 2012 and 2011

	2012				
	Not-for-Profit Entities (Supplementary Information)	Housing Entities (Supplementary Information)	Eliminations (Supplementary Information)	Consolidated	2011
Current Liabilities					
Accounts payable and accruals	\$ 11,786,932	\$ 1,793,923	\$ (1,623,257)	\$ 11,957,598	\$ 8,737,032
Construction payable	128,066	4,832,494	-	4,960,560	11,698,295
Due to affiliates	5,664,713	13,036,034	(18,700,747)	-	-
Prepaid rent	44,480	81,976	-	126,456	70,576
Deferred revenue	-	-	-	-	38,162
Project grant advances	604,223	-	-	604,223	1,695,082
Development fee payable	-	1,091,226	-	1,091,226	2,186,251
Mortgages and notes payable	1,879,043	2,575,127	-	4,454,170	1,393,277
Total current liabilities	20,107,457	23,410,780	(20,324,004)	23,194,233	25,818,675
Noncurrent Liabilities					
Security deposits	642,089	625,464	-	1,267,553	1,128,421
Accrued interest payable - mortgages and notes	293,680	5,163,436	-	5,457,116	4,282,528
Accrued interest payable - affiliate notes	-	1,894,110	(1,894,110)	-	-
Deferred revenue	1,885,965	-	(725,000)	1,160,965	1,028,633
Project grant advances	12,461,283	-	-	12,461,283	9,981,691
Development fee payable	-	19,285,958	(9,994,296)	9,291,662	8,351,332
Affiliate notes payable	-	29,998,433	(29,998,433)	-	-
Other liabilities	1,695,452	-	(1,145,420)	550,032	-
Mortgages and notes payable	41,910,450	168,208,705	-	210,119,155	215,607,426
Total noncurrent liabilities	58,888,919	225,176,106	(43,757,259)	240,307,766	240,380,031
Total liabilities	78,996,376	248,586,886	(64,081,263)	263,501,999	266,198,706
Commitments and contingencies					
Net Assets					
Unrestricted					
Controlling interest	70,534,585	1,271,579	(9,797,993)	62,008,171	60,504,596
Noncontrolling interest	-	79,848,030	-	79,848,030	76,236,423
Temporarily restricted	9,233,546	-	-	9,233,546	8,604,415
Total net assets	79,768,131	81,119,609	(9,797,993)	151,089,747	145,345,434
Total liabilities and net assets	\$ 158,764,507	\$ 329,706,495	\$ (73,879,256)	\$ 414,591,746	\$ 411,544,140

See Notes to Consolidated Financial Statements.

Common Ground Community H.D.F.C., Inc. and Affiliates
Consolidated Statements of Activities (with Supplementary Information)
Years ended December 31, 2012 and 2011

	2012				
	Not-for-Profit Entities (Supplementary Information)	Housing Entities (Supplementary Information)	Eliminations (Supplementary Information)	Consolidated	2011
Unrestricted Revenues and Support					
Contributions	\$ 2,248,850	\$ -	\$ -	\$ 2,248,850	\$ 2,917,671
Government grants and contracts	18,568,118	-	-	18,568,118	19,316,392
Management and partnership fees	1,456,372	-	(1,268,037)	188,335	168,175
Development fees	523,111	-	-	523,111	2,617,235
Rental income	9,900,612	14,975,418	(158,313)	24,717,717	22,708,001
Investment income	626,070	3,202	(610,011)	19,261	282,325
Other income	1,570,584	1,087,123	272,230	2,929,937	1,656,313
Net assets released from restrictions	748,869	-	-	748,869	4,650,135
Total revenues and support	35,642,586	16,065,743	(1,764,131)	49,944,198	54,316,247
Expenses					
Social services	21,002,888	-	(158,313)	20,844,575	20,345,791
Housing management and development	1,864,142	-	-	1,864,142	1,347,162
Affordable housing operations	5,187,457	15,523,716	(1,396,037)	19,315,136	15,967,604
General and administrative	5,625,077	-	-	5,625,077	4,961,525
Fundraising	728,466	-	-	728,466	639,824
Depreciation and amortization	2,631,832	8,684,564	(233,395)	11,083,001	9,925,216
Interest and service fees	668,461	2,048,600	(595,463)	2,121,598	2,168,436
Total expenses	37,708,323	26,256,880	(2,383,208)	61,581,995	55,355,558
Change in net assets before other nonrecurring items	(2,065,737)	(10,191,137)	619,077	(11,637,797)	(1,039,311)
New York State Brownfield redevelopment incentive income, net of federal tax expense of \$1,250,300	2,444,782	-	-	2,444,782	-
Gain on forgiveness of loan	506,471	-	-	506,471	656,670
Contribution and release of net assets to Community Solutions, Inc.	-	-	-	-	(1,455,774)
Unrestricted Net Assets					
Increase (decrease) in unrestricted net assets	885,516	(10,191,137)	619,077	(8,686,544)	(1,838,415)
Temporarily Restricted Revenues and Support					
Contributions	1,378,000	-	-	1,378,000	662,673
Net assets released from restrictions	(748,869)	-	-	(748,869)	(4,650,135)
Temporarily Restricted Net Assets					
Increase (decrease) in temporarily restricted net assets	629,131	-	-	629,131	(3,987,462)
Changes in net assets	1,514,647	(10,191,137)	619,077	(8,057,413)	(5,825,877)
Excess of expenses over revenue attributable to noncontrolling interest	-	10,190,119	-	10,190,119	7,080,856
Excess (deficiency) of revenues over expenses attributable to Common Ground	\$ 1,514,647	\$ (1,018)	\$ 619,077	\$ 2,132,706	\$ 1,254,979

See Notes to Consolidated Financial Statements.

Common Ground Community H.D.F.C., Inc. and Affiliates
Consolidated Statements of Changes in Net Assets
Years ended December 31, 2012 and 2011

	Unrestricted net assets			Temporarily restricted net assets	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2011	\$ 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 interest	-	(7,080,856)	(7,080,856)	-	(7,080,856)
Excess of revenue over expenses/(excess of expenses over revenue) attributable to Common Ground	<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	60,504,596	76,236,423	136,741,019	8,604,415	145,345,434
Contributions from investors	-	13,851,726	13,851,726	-	13,851,726
Syndication costs	-	(50,000)	(50,000)	-	(50,000)
Excess of revenue over expenses/(excess of expenses over revenue) attributable to noncontrolling interest	-	(10,190,119)	(10,190,119)	-	(10,190,119)
Excess of revenue over expenses/(excess of expenses over revenue) attributable to Common Ground	<u>1,503,575</u>	<u>-</u>	<u>1,503,575</u>	<u>629,131</u>	<u>2,132,706</u>
Ending balance, December 31, 2012	<u>\$ 62,008,171</u>	<u>\$ 79,848,030</u>	<u>\$ 141,856,201</u>	<u>\$ 9,233,546</u>	<u>\$ 151,089,747</u>

See Notes to Consolidated Financial Statements.

Common Ground Community H.D.F.C., Inc. and Affiliates
Consolidated Statements of Cash Flows
Years ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Changes in net assets	\$ (8,057,413)	\$ (5,825,877)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	11,083,001	9,925,216
Unrealized gains	-	(47,519)
Loss on disposal of fixed assets	-	241,811
Gain on forgiveness of loan	(506,471)	(656,670)
Changes in assets and liabilities		
(Increase) decrease in operating assets		
Accounts receivable	(4,798,415)	(624,535)
Development fees receivable	902,838	186,517
Other assets	(1,344,831)	1,480,653
Tenant security deposits	(100,784)	(77,666)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	3,220,566	(99,818)
Prepaid rent	55,880	(12,635)
Deferred revenue	94,170	1,066,795
Project grant advances	1,895,204	1,758,914
Security deposits	139,132	23,368
Other liabilities	550,032	-
Accrued interest payable - mortgages and notes	1,174,588	634,771
Net cash provided by operating activities	<u>4,307,497</u>	<u>7,973,325</u>
Cash flows from investing activities		
Withdrawals of contractual reserves	7,141,446	58,193,511
Withdrawals of lender restricted cash	441,248	6,413,771
Deposits to contractual reserves	(2,996,881)	(22,725,605)
Deposits to lender restricted cash	(350,101)	(2,090,875)
Capital expenditures	<u>(19,868,307)</u>	<u>(44,125,980)</u>
Net cash used in investing activities	<u>(15,632,595)</u>	<u>(4,335,178)</u>
Cash flows from financing activities		
Capital contributions received from investors	13,851,726	12,679,494
Syndication costs	(50,000)	-
Proceeds from loans	30,386,722	28,717,247
Repayments of loans	<u>(32,814,100)</u>	<u>(45,445,477)</u>
Net cash provided by (used in) financing activities	<u>11,374,348</u>	<u>(4,048,736)</u>
Net increase (decrease) in cash	49,250	(410,589)
Cash, beginning of year	<u>3,981,245</u>	<u>4,391,834</u>
Cash, end of year	<u><u>\$ 4,030,495</u></u>	<u><u>\$ 3,981,245</u></u>
Supplemental disclosure of information:		
Cash paid for interest, net of amounts capitalized	\$ 969,242	\$ 1,533,665
Construction payable capitalized to rental property	4,960,560	11,698,295

See Notes to Consolidated Financial Statements.

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

Notes to Consolidated Financial Statements

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, safe, and affordable apartments are linked to services that their tenants need to maintain their housing, restore their health and regain their economic independence.

Common Ground’s mission is to strengthen individuals, families and communities by developing and sustaining exceptional supportive and affordable housing as well as programs for homeless and other vulnerable New Yorkers.

Common Ground’s success in ending homelessness is built on a housing model that targets individuals and families who are homeless or at risk of becoming homeless.

- For the chronically homeless, Common Ground creates safe, secure housing, with essential on-site support services to help them address the mental and physical health problems that are obstacles to independent living.
- For individuals who find themselves at the edge of homelessness, Common Ground’s affordable housing provides an all-important safety net.

For both populations, Common Ground strives to create strong, vibrant communities within its buildings and to strengthen the neighborhoods in which its buildings are located through a commitment to social inclusion.

Since its founding, Common Ground has created several thousand units of affordable permanent and transitional housing in the northeastern United States. It operates permanent and transitional housing residences as well as scatter-site units in four New York City boroughs, a transitional residence for homeless veterans in Westchester County, NY, and low-income housing in Hartford, CT, Willimantic, CT and Rochester, NY. Common Ground also manages the innovative street outreach program, Street to Home, which connects the most entrenched, long-term homeless individuals with housing and other critical supportive services.

Common Ground is affiliated with and under common board control with other not-for-profit corporations and for-profit limited partnerships (“LPs”) and limited liability corporations (“LLCs”) 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 accounting principles generally accepted in the United States of America (“US GAAP”). The following summarizes the entities comprising Common Ground.

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

Notes to Consolidated Financial Statements

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 was formed 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 \$16,000,000 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, under Section 402 of the Not-for-Profit Corporation Law of the State of New York. 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 for the charitable purpose of owning, rehabilitating, managing, maintaining and operating low-income housing projects and to provide related social service programs to the tenants residing in the buildings owned by the following LPs and LLCs, of which the general partner ("GP") or controlling member is owned by CGC II: Prince George Associates LP, Brook Avenue Housing LP, Pitt Street LP, 410 Asylum Street LLC, 410 Asylum Street Historic LLC, Hegeman Avenue Housing LP, Common Ground Cedarwoods Housing LLC, and 1630 Dewey Avenue 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 Associates LP, was amended to execute an assignment and assumption of membership interest. CGC II assumed 49.995% of investor limited partner interest from Fannie Mae (formally 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 organized 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 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 ("Chelsea"), a building that was purchased through a loan from the City of New York Department of Housing Preservation and Development ("NYC Department of HPD"), which provides housing and employment services to qualifying young adults, formerly homeless and low-income single adults.

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

Notes to Consolidated Financial Statements

Common Ground Community IV H.D.F.C., Inc. ("CGC IV") was organized 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 ("Andrews"). CGC IV provides emergency shelter and social services for individuals transitioning from homelessness to permanent housing at Andrews.

Common Ground Ventures Corp. ("CGVC") was organized on January 25, 1993, under Section 402 of the Not-for-Profit Corporation Law of the State of New York. CGVC 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 was 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 of the State of New York. 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 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 of the State of New York. 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 for the charitable purpose of managing low-income housing projects. 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 of the State of New York. CGRC is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the Internal Revenue Code. CGRC holds the apartment leases related to Common Ground's scatter-site housing activities.

Schermerhorn House H.D.F.C., Inc. ("Schermerhorn") was organized under Section 402 of the Not-for-Profit Corporation Law of the State of New York. 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 House GP Corporation, the General Partner of Schermerhorn LP.

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

Notes to Consolidated Financial Statements

St. Mark's Brownsville H.D.F.C., Inc. (the "Domenech") was organized on May 23, 2006, under Section 402 of the Not-for-Profit Corporation Law of the State of New York. 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 LP.

Brook Avenue H.D.F.C., Inc. (the "Brook") was organized on October 24, 2006, under Section 402 of the Not-for-Profit Corporation Law of the State of New York. The Brook was formed to develop a 190-unit building to house low-income working adults from South Bronx, New York, and formerly homeless single adults, many with special needs. The Brook is the sole shareholder of CG Brook Avenue Housing Corporation, the general partner of Brook Avenue Housing LP.

Common Ground is the sole owner or controlling member of the GPs, which each own 0.01% of their associated LPs and LLCs. These entities were formed to own individual properties which are developed and managed to provide low-income housing as follows:

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

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 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:

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

Notes to Consolidated Financial Statements

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 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 or the donor.

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 therefrom for general or specific purposes. Common Ground had no permanently restricted net assets as of December 31, 2012 and 2011.

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 has been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

Principles of Consolidation

Not-for-Profit Entities - The accompanying consolidated financial statements of Common Ground includes the accounts of Common Ground Community H.D.F.C., Inc. and other not-for-profit entities that are affiliated with Common Ground. All intercompany transactions and accounts between these not-for-profit entities have been eliminated in consolidation.

Housing Entities - 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 housing entities' equity, with the remainder of the housing entities' equity held by the limited partners of the respective housing entities. The portion of the housing entities not controlled by Common Ground affiliated entities is presented in the consolidated financial statements as noncontrolling interest. All intercompany transactions and accounts between these housing entities have been eliminated in consolidation.

All intercompany transactions and accounts between the not-for-profit entities and housing entities have also been eliminated in consolidation.

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

Notes to Consolidated Financial Statements

Revenue Recognition

Contributions, including unconditional promises to give, are reported as revenues in the period in which contributions are received or unconditional promises to give are made. 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 statements of financial position. Development fees are paid by the respective housing entities' to Common Ground entities, through funds received from equity contributions of the housing entities' investors as well as from the operating cash flow of the respective housing entities. Only the portion of development fees to be paid from housing entity operating cash flow is eliminated in consolidation, while the portion to be paid from third-party equity contributions is not.

Tenant rental revenue is recognized as income as it is earned. Advance receipts of rental income are deferred and classified as liabilities in the accompanying consolidated statements of financial position until earned. All leases between the properties and tenants are considered to be operating leases.

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

During the year ended December 31, 2012, 1630 Dewey Avenue Managing Member Inc., a wholly-owned subsidiary of Common Ground and the general partner of 1630 Dewey Avenue LLC, earned a New York State Brownfield redevelopment tax credit (incentive income) in the amount of \$3,695,452, of which \$2,000,000 is included in accounts receivable and \$1,695,452 is included in other assets in the accompanying consolidated statement of financial position and the consolidated statement of activities as of December 31, 2012. Of this amount, \$2,000,000 is expected to be received in 2013, and the remaining over a period of three years ending December 31, 2016. During the year ended December 31, 2012, applicable federal income taxes of \$1,250,300 have been accrued, of which \$692,149 is included in accounts payable and accruals, and \$558,151 is included in other liabilities on the accompanying consolidated statements of financial position. In accordance with the partnership agreement, the total incentive income, less the applicable Federal income taxes, will be invested in 1630 Dewey Avenue LLC.

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

Notes to Consolidated Financial Statements

Government Contracts

Common Ground recognizes revenue from grants and contracts from government agencies based on actual costs incurred and allowable reimbursable expenses from the granting agencies. Federal 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.

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 were 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.

Receivables and Allowance

Common Ground uses the direct write-off method for pledges receivable and the allowance method for contracts and tenants receivable. Any such accounts determined to be uncollectible are charged to operations. US GAAP requires 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 for doubtful accounts balances as of December 31, 2012 and 2011 are \$545,894 and \$896,260, respectively.

Development Fees Receivable

Development fees receivable presented on the accompanying consolidated statements of financial position represent development fees due from related entities for construction development. Development fees receivable 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 balances as of December 31, 2012 and 2011 are \$9,634,745 and \$10,537,583, 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 statements of activities.

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

Notes to Consolidated Financial Statements

Fair Value

The carrying amounts of cash, current receivables, contractual reserves, tenant security deposits, payables and accrued expenses approximate fair value due to the short-term nature of these instruments. Management believes it is not possible to accurately estimate the fair value of Common Ground's development fees receivable, mortgages and notes payable since instruments 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. Impairment reserves are provided as necessary.

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 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. 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. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable. 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 statements 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. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

Notes to Consolidated Financial Statements

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 data, liquidity statistics, and other factors. A financial instrument's level within the 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 instrument 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 years ended December 31, 2012 and 2011 are \$402,052 and \$307,994, respectively.

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 asset 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

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. Depreciation does not commence on construction-in-progress until the asset has been placed in service.

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 for impairment whenever events or changes in circumstances indicates 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, 2012 and 2011.

Management has evaluated the US GAAP requirements governing conditional asset retirement obligations and determined that no adjustments or additional disclosure related thereto are necessary as of and for the years ended December 31, 2012 and 2011.

Deferred Rent

Common Ground occupies buildings under leases containing escalation clauses or other features that require normalization of the rental expense over the life of the lease. Resulting deferred rent is reflected in the accompanying consolidated statements of financial position.

Common Ground has commercial leases and subleases with various commercial tenants that contain escalation clauses or other features that require normalization of the rental income over the life of the lease. Resulting deferred rent is reflected in the accompanying consolidated statements of financial position.

Functional Allocation of Expenses

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

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

Notes to Consolidated Financial Statements

Income Taxes

Common Ground has no unrecognized tax benefits as of December 31, 2012 and 2011. Common Ground's Federal and state income tax returns prior to fiscal year 2009 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, Common Ground will recognize interest and penalties associated with tax matters as general and administrative expenses in the consolidated statements of activities and include accrued interest and penalties with the related tax liability in the consolidated statements of financial position. There were no interest or penalties for the years ended December 31, 2012 and 2011.

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, other than as disclosed above for 1630 Dewey Avenue LLC.

Use of Accounting Estimates

The preparation of the 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.

Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements in order to conform to the 2012 presentation.

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

Notes to Consolidated Financial Statements

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, 2012 and 2011, consisted of the following:

	2012	2011
Cash	\$ 9,297,730	\$ 9,740,921
Certificate of deposit	1,800,000	1,800,000
Treasury bills	13,582,856	17,321,659
Fixed income mutual funds	-	53,718
Total	<u>\$ 24,680,586</u>	<u>\$ 28,916,298</u>

The following table presents Common Ground's lender restricted cash and contractual reserves classified within the fair value hierarchy as of December 31, 2012 and 2011:

	2012			Total
	Level 1	Level 2	Level 3	
Cash	\$ 9,297,730	\$ -	\$ -	\$ 9,297,730
Certificate of deposit	-	1,800,000	-	1,800,000
Treasury bills	-	13,582,856	-	13,582,856
Total	<u>\$ 9,297,730</u>	<u>\$ 15,382,856</u>	<u>\$ -</u>	<u>\$ 24,680,586</u>

	2011			Total
	Level 1	Level 2	Level 3	
Cash	\$ 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>

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

Notes to Consolidated Financial Statements

Investment income for the years ended December 31, 2012 and 2011, consisted of the following:

	2012	2011
Interest and dividends	\$ 19,145	\$ 232,069
Unrealized gains	74	50,256
Realized gains	42	-
Total	<u>\$ 19,261</u>	<u>\$ 282,325</u>

Contractual reserve fees totaled \$23,906 and \$25,511 for the years ended December 31, 2012 and 2011, respectively.

Note 4 - Property and Equipment, net

As of December 31, 2012 and 2011, property and equipment, net, consisted of the following:

	2012	2011
Buildings and land improvements	\$ 374,452,424	\$ 311,200,588
Leasehold improvements	4,596,685	4,378,735
Furniture and equipment	15,506,157	12,961,144
Land	30,680,186	23,807,089
Construction in progress	1,418,791	61,931,751
Less: accumulated depreciation and amortization	<u>(68,076,566)</u>	<u>(57,004,382)</u>
	<u>\$ 358,577,677</u>	<u>\$ 357,274,925</u>

Depreciation and amortization expenses totaled \$11,083,001 and \$9,925,216 for the years ended December 31, 2012 and 2011, respectively.

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

Notes to Consolidated Financial Statements

Note 5 - Project Grant Advances

Project grant advances, which depend on the occurrence of a specified future uncertain event to bind the funder, shall be recognized as revenue when the conditions on which they depend are substantially met, that is, when the conditional grant becomes unconditional. Certain of these grants are designed as loan agreements with stated maturity dates, collateral requirements and interest rates, which upon the satisfaction of the grant requirements will be forgiven by the funder. Project grant advances where the conditions have not been substantially met are included in liabilities on the consolidated statements of financial position and consist of the following as of December 31, 2012 and 2011:

	2012	2011	Maturity Date	Interest Rate
Federal Home Loan Bank for:				
Andrews	\$ 500,000	\$ 409,722	4/17/2024	0%
Brook Avenue Housing LP	1,500,000	1,404,165	9/16/2025	0%
St. Marks Brownsville LP	1,080,000	1,080,000	11/26/2023	0%
Hegeman Avenue Housing LP	1,650,000	-	6/9/2025	0%
Chelsea Residence LP	1,000,000	1,000,000	1/16/2033	0%
Schmerhorn Housing LP	675,000	675,000	12/29/2035	0%
Pitt Street LP	1,000,000	930,554	12/28/2021	0%
1630 Dewey Avenue LLC	299,990	299,990	9/30/2025	0%
Neighborhood Stabilization Program	2,663,529	2,840,000	6/9/2027	1%
New York State Office of Mental Health	1,650,000	1,980,000	1/31/2018	0%
HOME Investment Partnership Program	573,952	516,558	8/31/2040	0%
HUD Continuum of Care	300,000	270,000	9/30/2040	0%
Lower Manhattan Development Corporation	173,035	270,784	4/6/2021	0%
Total Project grant advances	13,065,506	11,676,773		
Less: Current portion	604,223	1,695,082		
Noncurrent portion	<u>\$ 12,461,283</u>	<u>\$ 9,981,691</u>		

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

Notes to Consolidated Financial Statements

Note 6 - Mortgages and Notes Payable

The following reflects the various debt obligations outstanding as presented in the accompanying consolidated statements of financial position as of December 31, 2012 and 2011:

Common Ground and Affiliates	Lender	2012	2011	Maturity Date	Interest Rate
CGC	Calvert Social Investments Foundation	\$ 675,000	\$ 675,000	12/15/2013	5%
CGC	Mennonite Mutual Aid Community Investments Partners	-	200,000	10/15/2012	5%
CGC	Mizuho Corporate Bank (USA)	658,000	-	10/24/2013	LIBOR plus 1.5%
CGC	Seedco Financial	384,842	590,984	9/2/2014	7%
CGC	van Ameringen Foundation	1,000,000	1,000,000	8/1/2014	2%
CGC	Deutsche Bank Americas Foundation	75,000	50,000	7/1/2015	Non-interest bearing
Times Square Hotel LLC	NYC Department of HPD	28,850,107	28,850,107	5/15/2025	1.25%
CGM	HSBC	300,000	600,000	11/30/2013	3.79%
CGC IV	NYC Department of HPD	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 HPD- 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 Associates LP	NYC Department of HPD	12,606,976	12,606,976	11/1/2028	1%
Prince George Associates LP	NYS Homeless Housing Assistance Corporation	4,000,000	4,000,000	11/1/2029	1%
Chelsea Residence LP	NYC Department of HPD	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 LP	NYS Homeless Housing Assistance Corporation	6,749,800	6,749,800	4/30/2039	1%
Schermerhorn LP	NYC Department of HPD	19,444,534	19,809,343	4/29/2038	1%
Pitt Street LP	NYC Department of HPD	24,670,000	24,670,000	9/1/2041	1%
Pitt Street LP	NYS Homeless Housing Assistance Corporation	6,520,758	6,520,758	12/28/2040	1%
Brook Avenue Housing LP	NYC Department of HPD	17,600,000	17,600,000	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 HPD- 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	347,495	242,813	8/1/2039	1%
410 Asylum Street LLC	Connecticut Housing Finance Authority	3,967,700	3,839,412	11/1/2042	5.25%
410 Asylum Street LLC	Connecticut Housing Finance Authority	6,073,808	5,976,378	3/1/2041	Non-interest bearing

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

Notes to Consolidated Financial Statements

Common Ground and Affiliates	Lender	2012	2011	Maturity Date	Interest Rate
Hegemen Avenue Housing LP	NYC Department of HPD	17,850,000	3,440,065	6/1/2030	1%
Hegemen Avenue Housing LP	NYS Homeless Housing Assistance Corporation	5,580,554	5,580,554	12/8/2039	1%
Hegemen Avenue Housing LP	New York Housing Finance Agency (Bond)	-	18,368,645	5/1/2040	Floating rate
Hegemen Avenue Housing LP	New York Housing Finance Agency (Subsidy loan)	910,209	659,726	5/1/2040	1%
Common Ground Cedarwoods Housing LLC	Connecticut Housing Finance Authority (TCAP)	5,701,488	5,619,043	10/1/2060	Non-interest bearing
Common Ground Cedarwoods Housing LLC	State of Connecticut Department of Economic and Comm Dev.	3,430,000	2,910,291	12/15/2060	Non-interest bearing
Common Ground Cedarwoods Housing LLC	Sponsor Note	222	222		0.5%
1630 Dewey Avenue LLC	NYS Homeless Housing Assistance Corporation	2,996,212	2,881,816	9/1/2040	1%
1630 Dewey Avenue LLC	Chase (Construction Loan - CPC)	2,552,052	1,930,202		LIBOR plus 2.5%
	Total mortgages and notes payable	214,573,325	217,000,703		
	Less: Current portion	4,454,170	1,393,277		
	Noncurrent portion	<u>\$ 210,119,155</u>	<u>\$ 215,607,426</u>		

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

Notes to Consolidated Financial Statements

Scheduled maturities of the loans payable as of December 31, 2012 follow:

Year ending December 31,	
2013	\$ 4,454,170
2014	1,212,674
2015	49,714
2016	25,593
2017	1,026,515
Thereafter	207,804,659
	<u>\$ 214,573,325</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 housing entities for construction or acquisition are secured by the property of the respective entity. Some of the loans made for corporate purposes and for working capital needs are secured by various accounts receivable and deposit accounts and are subject to certain restrictive covenants.

The total interest of \$2,259,144 and \$2,988,627 was recorded for the years ended December 31, 2012 and 2011, of which \$2,093,830 and \$2,140,668, respectively, was expensed and \$165,314 and \$847,959, respectively, was capitalized.

Note 7 - Government Grants and Contracts

Government grants and contracts revenue for years ended December 31, 2012 and 2011, received by Common Ground from various Federal, New York City and state government agencies, consisted of the following:

	2012	2011
NYC Department of Homeless Services	\$ 11,085,376	\$ 11,890,400
US Department of Housing and Urban Development	701,711	1,084,472
NYC HIV/AIDS Service Administration	2,534,480	2,563,919
NYS Department of Health and Mental Hygiene	2,303,906	2,538,886
US Department of Veteran Affairs	1,207,145	878,761
NYS Office of Temporary and Disability Assistance	258,281	339,954
CT Department of Mental Health and Addiction Services	361,467	-
Other Government Agencies	115,752	20,000
	<u>\$ 18,568,118</u>	<u>\$ 19,316,392</u>

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

Notes to Consolidated Financial Statements

Note 8 - Defined Contribution Plan

Common Ground sponsors a 403(b) Tax Deferred Savings Plan (the "403(b) Plan") that covers all full-time non-union employees. Under the terms of the 403(b) Plan, employees may contribute any amount that would not exceed the limitations provided in the Internal Revenue Code or otherwise disqualify the 403(b) Plan. Common Ground made 403(b) Plan contributions of \$283,032 and \$247,709 for the years ended December 31, 2012 and 2011, respectively.

Common Ground sponsors a 457(b) Non-Qualified Deferred Compensation Retirement Plan (the "457(b) Plan") that covers certain eligible employees (the "Participants"). The 457(b) Plan allows Participants to defer compensation until a future date, generally, termination of employment. In addition, the 457(b) Plan provides for a discretionary employer contribution. Participants' employee and employer contributions to the 457(b) Plan are invested in individual accounts with the principal and earnings held for their benefit. However, these balances remain assets of Common Ground and Common Ground has a corresponding liability to the Participants. As of December 31, 2012, the total liability relating to this plan was \$16,750.

Note 9 - 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 2027 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 \$2,376,386 and \$2,075,801 for the years ended December 31, 2012 and 2011, respectively. The related future minimum lease payments as of December 31, 2012 follow:

Year ending December 31,		
2013	\$	1,855,583
2014		1,150,290
2015		778,964
2016		794,452
2017		813,521
Thereafter		4,584,584
	\$	<u>9,977,394</u>

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

Notes to Consolidated Financial Statements

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 \$1,095,081 and \$1,315,561 for the years ended December 31, 2012 and 2011, respectively. Estimated future minimum receipts due under the terms of the leases are as follows:

Year ending December 31,		
2013	\$	1,109,791
2014		1,118,357
2015		1,099,346
2016		990,299
2017		748,291
Thereafter		4,351,925
	\$	<u>9,418,010</u>

Guarantees

Common Ground, through its affiliates, is the General Partner of and sponsor of the Chelsea Residence LP, Prince George Associates LP, Schermerhorn LP, Pitt Street LP, Brook Avenue Housing LP, 410 Asylum Street LLC, 410 Asylum Street Historic LLC, St. Mark's Brownsville LP, Hegeman Avenue Housing LP, Common Ground Cedarwoods 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. Generally, deficits that are funded under these guarantees are repaid from future operating cash flows of the partnerships. These obligations of Common Ground to the respective limited partnerships are limited by both time and amounts as follows:

Chelsea Residence LP:

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, 2012 and 2011, the amount of such guarantee was \$526,406 expiring in 2018.

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

Notes to Consolidated Financial Statements

Prince George Associates LP:

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, 2012 and 2011, the amount of such guarantee was \$1,079,970 and \$1,090,320, respectively, expiring in 2013.

Schermerhorn LP:

Guarantee for tax credit compliance and operating deficits is limited to \$730,000. As of December 31, 2012 and 2011, the amount of such guarantee was \$730,000 expiring in 2024.

Pitt Street LP:

Guarantee for tax credit compliance and operating deficits is limited to \$1,000,000. As of December 31, 2012 and 2011, the amount of such guarantee was \$1,000,000 expiring in 2025.

Brook Avenue Housing LP:

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, 2012 and 2011, the amount of such guarantee was \$3,667,785 expiring in 2025.

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 LP:

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 \$1,400,000 or the amount of the developer fees paid, which at December 31, 2012 and 2011 was \$420,000. Once breakeven is achieved, the guarantee for operating deficits is limited to \$303,633 for a period of three years.

Hegeman Avenue Housing LP:

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 New York State Housing Finance Agency ("HFA"), the proceeds of which will be used to finance the construction of this property. This guarantee was fulfilled upon the issuance of a temporary certificate of occupancy for the building.

Also related to the Hegeman project, CGC II has issued a guarantee of \$22,800,000 for a construction loan from the New York State HFA, the proceeds of which were raised in the aforementioned tax-exempt bond offering. This guarantee was relieved during the year ended December 31, 2012 upon the permanent financing of the property.

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

Notes to Consolidated Financial Statements

Common Ground Cedarwoods Housing LLC:

Development Completion Guarantee

Common Ground Cedarwoods Management LLC, an affiliate, is obligated by the Operating Agreement to pay Common Ground Cedarwoods Housing, LLC (CGC Housing LLC) all excess development costs, including operating deficits, through stabilization. Any funding required may be repaid without interest upon development sources being available for such payment. As of December 31, 2012, no amounts were funded.

Operating Deficit Guarantee

Common Ground Cedarwoods Management LLC, an affiliate, has guaranteed to lend CGC Housing LLC an amount not exceeding \$192,432 required to fund operating deficits incurred by CGC Housing LLC during the operating deficit guarantee period, as defined in the Operating Agreement, that are not funded from the operating deficit reserve account. The operating deficit guarantee period commences on the date that the Project achieves Stabilized Occupancy, as defined in the Operating Agreement, and extends to the later of the fifth anniversary of achievement of Stabilization, and the date upon which the Company achieves Breakeven, measured on an annualized basis for three consecutive years, commencing on or after the second anniversary of the Stabilized Occupancy date, provided that the Operating Reserve is funded in an amount at least equal to the Operating Reserve Target amount. As of December 31, 2012, there was no funding under this guarantee.

Recapture Guarantee

Common Ground Cedarwoods Management LLC, and its affiliates have guaranteed that they will reimburse the Investor Members of CGC Housing LLC for certain amounts which may be required if there is a "permanent reduction in tax credits," a "downward timing difference in tax credits," an "ongoing tax credit shortfall," or any of the specified events triggering a "repurchase" obligation, as set forth in the Operating Agreement.

1630 Dewey Avenue LLC:

Tax Credit Guarantee

1630 Dewey Avenue Managing Member Inc., an affiliate, has guaranteed the delivery of tax credits and other benefits to the Investor Member in accordance with projected amounts. If shortfalls occur, the Managing Member will be required to pay the Investor Member an amount equal to the benefits lost as detailed in the amended operating agreement.

Operating Deficit Guarantee

1630 Dewey Avenue Managing Member Inc., an affiliate, has guaranteed to lend any amounts required to fund operating deficits incurred until Stabilization, as defined. Any advances made prior to the required final capital contribution, as defined, shall not be treated as advances and the advance will not be reimbursed. For a period of 48 months after the final capital contribution is received, the affiliate is obligated to lend up to \$225,000 to 1630 Dewey Avenue LLC to fund operating deficits. These advances are non-interest bearing, shall be treated as advances from the affiliate and shall be repaid from surplus cash as defined.

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

Notes to Consolidated Financial Statements

Management Fee Guarantee

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.

Multi-employer Retirement Plans

Common Ground contributes to the New York Hotel Trades Council and Hotel Association of New York City, Inc., Pension Fund (the "Fund"), under, and on behalf of, certain employees subject to the July 1, 2012 through June 30, 2019 Collective Bargaining Agreement between Common Ground and the Hotel Association of New York City, Inc. and the New York Hotel and Motel Trades Council, AFL-CIO. The Fund is a multi-employer defined benefit pension plan. The risks of participating in multi-employer pension plans are different from single employer plans as assets contributed are available to provide benefits to employees of other employers and unfunded obligations from an employer that discontinues contributions are the responsibility of all remaining employers. In addition, in the event of a plan's termination by mass withdrawal or an organization's withdrawal from a plan, the organization may be liable for a portion of the plan's unfunded vested benefits. Common Ground does not anticipate withdrawal from the Fund, nor is Common Ground aware of any expected plan termination event regarding the Fund.

The most recent Annual Funding Notice for the Fund pursuant to the Pension Protection Act of 2006 available in 2013 is for the Fund's plan year beginning January 1, 2012 and ending December 31, 2012 (the "Plan Year"). The Fund was in endangered status (yellow zone) in the Plan Year ending on December 31, 2012 because it was 69.5% funded, which is less than 80% funded. The zone status is based on information the Common Ground received from the Fund and is certified by the Fund's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. In an effort to improve the Fund's funding situation, the Trustees of the Fund adopted a Funding Improvement Plan. For the year ending December 31, 2012, Common Ground contributed approximately \$80,000 to the Fund.

Other Contingencies

Common Ground is subject to lawsuits and claims with respect to matters arising in the normal course of business. All claims have been forwarded to counsel for disposition. In the opinion of management, the ultimate liabilities, if any, from these claims will not materially affect the consolidated financial position of Common Ground. Nevertheless, due to uncertainty of the settlement process, management's view of the outcome may be modified in the future.

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, Common Ground allocated direct costs incurred of individual buildings (LPs and LLCs) to affordable housing operations, and amounts incurred by the not-for-profit entities based on estimates of the office square footage.

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011, the total depreciation and amortization and interest and service fees were allocated to the following functional categories:

	2012			
	Functional Expenses	Depreciation and Amortization	Interest and Service Fees	Total
Social services	\$ 20,844,575	\$ 969,878	\$ 110,479	\$ 21,924,932
Housing management and development	1,864,142	89,508	197,356	2,151,006
Affordable housing operations	19,315,136	9,934,107	1,616,407	30,865,650
General and administrative	5,625,077	89,508	197,356	5,911,941
Fundraising	728,466	-	-	728,466
	<u>\$ 48,377,396</u>	<u>\$ 11,083,001</u>	<u>\$ 2,121,598</u>	<u>\$ 61,581,995</u>

	2011			
	Functional Expenses	Depreciation and Amortization	Interest and Service Fees	Total
Social services	\$ 20,345,791	\$ 1,006,396	\$ 132,030	\$ 21,484,217
Housing management and development	1,347,162	126,909	122,642	1,596,713
Affordable housing operations	15,967,604	8,665,003	1,791,122	26,423,729
General and administrative	4,961,525	126,908	122,642	5,211,075
Fundraising	639,824	-	-	639,824
	<u>\$ 43,261,906</u>	<u>\$ 9,925,216</u>	<u>\$ 2,168,436</u>	<u>\$ 55,355,558</u>

Note 11 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Housing Operations and Tenant Services	\$ 663,450	\$ 226,000
Street to Home Veteran's Initiative	40,389	172,208
HUD Capital Advance	8,529,707	8,206,207
	<u>\$ 9,233,546</u>	<u>\$ 8,604,415</u>

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

Notes to Consolidated Financial Statements

Note 12 - Net Assets Released From Restriction

Temporarily restricted net assets were released from restrictions during the years ended December 31, 2012 and 2011, in satisfaction of donor time or use restrictions as follows:

	2012	2011
Green Design	\$ -	\$ 1,535,024
Brownsville Partnership	-	836,042
Common Ground National	-	790,686
100,000 Homes Campaign	-	761,835
Resource Development	-	264,465
Housing Operations and Tenant Services	577,054	462,083
Street to Home Veteran's Initiative	171,815	-
	<u>\$ 748,869</u>	<u>\$ 4,650,135</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.

Note 14 - Related Party Transactions

A member of Common Ground's Board of Directors is also the Executive Director of an organization that provides necessary social services to the most needy tenants in some of Common Ground's supportive housing projects. Such services are funded by various government grants and contracts, the revenue from which is collected by both organizations, depending on who holds the contract.

The accompanying consolidated statements of financial position include the following as of December 31, 2012 and 2011:

	2012	2011
Accounts receivable	\$ 1,072,293	\$ 520,833
Accounts payable and accruals	481,779	313,472

The accompanying consolidated statements of activities include the following transactions related to this social services provider for the year ended December 31, 2012 and 2011:

	2012	2011
Government grants and contracts revenue	\$ 2,569,592	\$ 2,638,396
Social service expenses	1,233,880	1,234,840

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

Notes to Consolidated Financial Statements

Note 15 - Subsequent Events

Common Ground evaluated its December 31, 2012 consolidated financial statements for subsequent events through September 30, 2013, the date the consolidated financial statements were available to be issued and determined that the following information was pertinent:

On April 19, 2013, CGC II acquired approximately 38,000 square feet of development rights from New Covenant Faith and Miracle Arena, Inc. for \$2,000,000 which were transferred to the development site previously acquired by Common Ground at 1191 Boston Road, Bronx, NY ("Boston Road Residences"). Common Ground closed on construction financing for Boston Road Residences on June 27, 2013 and is constructing a 12-story supportive housing project on the site. Construction completion is expected in June 2015.

On August 20, 2013, CGC II obtained NYC Department of HPD's consent to acquire the limited partner interest in Prince George Investment LLC. Common Ground expects to close with the remaining limited partners in the fourth quarter of 2013 and acquire 100% interest in the limited partnership.

SUPPLEMENTARY INFORMATION

Common Ground Community H.D.F.C., Inc. and Affiliates
Consolidating Statement of Financial Position - Not-for-Profit Entities
December 31, 2012

	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	Not-for-Profit Entities Eliminations	Total Not-for- Profit Entities
Current Assets													
Cash	\$ 2,044,454	\$ 127,662	\$ 18,237	\$ 550	\$ 1,645	\$ 20,471	\$ 1,674	\$ -	\$ -	\$ -	\$ 2,845	\$ -	\$ 2,217,538
Accounts receivable, net	3,728,210	2,443,673	563,223	56,282	1,269,975	-	-	-	-	-	2,093,238	-	10,154,601
Advances due from affiliates	65,896,775	14,031,691	13,126,180	844,472	2,883	5,464,908	1,198,811	50	90,568	353,500	350,000	(88,317,114)	13,042,724
Development fees receivable	-	-	795,577	-	-	295,649	-	-	-	-	-	-	1,091,226
Other current assets	853,177	357,438	-	-	12,302	-	17,761	-	10	-	-	-	1,240,688
Total current assets	72,522,616	16,960,464	14,503,217	901,304	1,286,805	5,781,028	1,218,246	50	90,578	353,500	2,446,083	(88,317,114)	27,746,777
Property and Equipment													
Construction-in-progress	1,020,082	-	398,709	-	-	-	-	-	-	-	-	-	1,418,791
Property and equipment, net	40,022,227	838,173	1,679,162	-	14,748,227	914,519	3	-	-	-	-	-	58,202,311
Total property and equipment	41,042,309	838,173	2,077,871	-	14,748,227	914,519	3	-	-	-	-	-	59,621,102
Other Noncurrent Assets													
Lender restricted cash and contractual reserves:													
Lender restricted cash	2,915,506	-	-	-	1,020,709	-	-	-	-	-	-	-	3,936,215
Contractual reserves	6,769,580	-	2,473,165	-	962	2,311,617	-	-	-	-	-	-	11,555,324
Total lender restricted cash and contractual reserves	9,685,086	-	2,473,165	-	1,021,671	2,311,617	-	-	-	-	-	-	15,491,539
Tenant security deposits	207,108	-	-	-	-	274,932	11,469	-	-	-	-	-	493,509
Development fees receivable and accrued interest	9,345,355	-	9,192,460	-	-	-	-	-	-	-	-	-	18,537,815
Accrued interest receivable - affiliate notes	1,694,337	-	199,773	-	-	-	-	-	-	-	-	-	1,894,110
Affiliate notes receivable	17,464,707	771,094	9,782,938	-	-	1,979,694	-	-	-	-	-	-	29,998,433
Other assets, net	-	-	-	-	-	-	-	-	-	-	1,695,452	-	1,695,452
Investments in housing entities	-	-	865,750	(16,002)	-	-	-	-	(5,834)	120	2,441,736	-	3,285,770
Total other noncurrent assets	38,396,593	771,094	22,514,086	(16,002)	1,021,671	4,566,243	11,469	-	(5,834)	120	4,137,188	-	71,396,628
Total assets	\$ 151,961,518	\$ 18,569,731	\$ 39,095,174	\$ 885,302	\$ 17,056,703	\$ 11,261,790	\$ 1,229,718	\$ 50	\$ 84,744	\$ 353,620	\$ 6,583,271	\$ (88,317,114)	\$ 158,764,507
Liabilities and Net Assets (Deficit)													
Current Liabilities													
Accounts payable and accruals	\$ 1,972,929	\$ 6,417,950	\$ 291,585	\$ 51,371	\$ 625,170	\$ 27,257	\$ 400,000	\$ -	\$ 100	\$ 200	\$ 2,000,370	\$ -	\$ 11,786,932
Construction payable	-	-	-	-	128,066	-	-	-	-	-	-	-	128,066
Due to affiliates	30,676,321	46,751,280	4,766,379	859,112	5,240,311	1,341,402	1,427,708	285,622	2,550,000	11,865	71,827	(88,317,114)	5,664,713
Prepaid rent	43,694	-	-	-	786	-	-	-	-	-	-	-	44,480
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Project grant advances	176,471	-	330,000	-	97,752	-	-	-	-	-	-	-	604,223
Mortgages and notes payable	1,579,043	300,000	-	-	-	-	-	-	-	-	-	-	1,879,043
Total current liabilities	34,448,458	53,469,230	5,387,964	910,483	6,092,085	1,368,659	1,827,708	285,622	2,550,100	12,065	2,072,197	(88,317,114)	20,107,457
Noncurrent Liabilities													
Security deposits	282,948	42,107	-	-	6,729	284,141	26,164	-	-	-	-	-	642,089
Accrued interest payable - mortgages and notes	-	17,304	-	-	276,376	-	-	-	-	-	-	-	293,680
Deferred revenue	803,633	132,332	950,000	-	-	-	-	-	-	-	-	-	1,885,965
Project grant advances	8,392,058	-	3,493,943	-	575,282	-	-	-	-	-	-	-	12,461,283
Other liabilities	-	-	-	-	-	-	-	-	-	-	1,695,452	-	1,695,452
Mortgages and notes payable	30,063,906	-	-	-	11,846,544	-	-	-	-	-	-	-	41,910,450
Total noncurrent liabilities	39,542,545	191,743	4,443,943	-	12,704,931	284,141	26,164	-	-	-	1,695,452	-	58,888,919
Total liabilities	73,991,003	53,660,973	9,831,907	910,483	18,797,016	1,652,800	1,853,872	285,622	2,550,100	12,065	3,767,649	(88,317,114)	78,996,376
Net Assets (Deficit)													
Unrestricted	68,736,969	(35,091,242)	29,263,267	(25,181)	(1,740,313)	9,608,990	(624,154)	(285,572)	(2,465,356)	341,555	2,815,622	-	70,534,585
Temporarily restricted	9,233,546	-	-	-	-	-	-	-	-	-	-	-	9,233,546
Total net assets (deficit)	77,970,515	(35,091,242)	29,263,267	(25,181)	(1,740,313)	9,608,990	(624,154)	(285,572)	(2,465,356)	341,555	2,815,622	-	79,768,131
Total liabilities and net assets (deficit)	\$ 151,961,518	\$ 18,569,731	\$ 39,095,174	\$ 885,302	\$ 17,056,703	\$ 11,261,790	\$ 1,229,718	\$ 50	\$ 84,744	\$ 353,620	\$ 6,583,271	\$ (88,317,114)	\$ 158,764,507

See Independent Auditor's Report.

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

Consolidating Statement of Activities - Not-for-Profit Entities

For the year ended December 31, 2012

	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	Not-for-Profit Entities Eliminations	Total Not-for- Profit Entities
Revenues and support													
Contributions	\$ 3,209,798	\$ 412,052	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,626,850
Government grants and contracts	11,375,740	2,731,601	1,203,421	265,953	2,991,403	-	-	-	-	-	-	-	18,568,118
Management and partnership fees	-	1,883,927	-	-	-	-	-	-	-	-	141,466	(569,021)	1,456,372
Development fees	108,500	-	414,611	-	-	-	-	-	-	-	-	-	523,111
Rental income	9,066,237	13,115	-	-	58,674	762,586	-	-	-	-	-	-	9,900,612
Investment income	534,471	-	91,599	-	-	-	-	-	-	-	-	-	626,070
Other income (loss)	359,608	1,593,050	(388,294)	-	-	1,296	-	-	3,161	-	1,763	-	1,570,584
Total revenues and support	24,654,354	6,633,745	1,326,337	265,953	3,050,077	763,882	-	-	3,161	-	143,229	(569,021)	36,271,717
Expenses													
Program services													
Social services	12,752,154	3,254,092	1,223,392	266,329	3,501,855	1,473	-	-	-	3,593	-	-	21,002,888
Housing management and development	-	1,864,142	-	-	-	-	-	-	-	-	-	-	1,864,142
Affordable housing operations	5,756,478	-	-	-	-	-	-	-	-	-	-	(569,021)	5,187,457
Total program services	18,508,632	5,118,234	1,223,392	266,329	3,501,855	1,473	-	-	-	3,593	-	(569,021)	28,054,487
Supporting services													
General and administrative	134,016	4,444,290	228,170	3,725	-	505,100	297,459	3,500	-	-	8,817	-	5,625,077
Fundraising	124,236	604,230	-	-	-	-	-	-	-	-	-	-	728,466
Depreciation and amortization	1,676,107	160,874	-	-	562,156	232,695	-	-	-	-	-	-	2,631,832
Interest and service fees	451,969	106,013	-	-	92,655	17,824	-	-	-	-	-	-	668,461
Total supporting services	2,386,328	5,315,407	228,170	3,725	654,811	755,619	297,459	3,500	-	-	8,817	-	9,653,836
Total expenses	20,894,960	10,433,641	1,451,562	270,054	4,156,666	757,092	297,459	3,500	-	3,593	8,817	(569,021)	37,708,323
Change in net assets before other nonrecurring items	3,759,394	(3,799,896)	(125,225)	(4,101)	(1,106,589)	6,790	(297,459)	(3,500)	3,161	(3,593)	134,412	-	-
New York State Brownfield redevelopment incentive income, net of federal tax expense of \$1,250,300	-	-	-	-	-	-	-	-	-	-	2,444,782	-	2,444,782
Gain on forgiveness of loan	176,471	-	330,000	-	-	-	-	-	-	-	-	-	506,471
Change in net assets	3,935,865	(3,799,896)	204,775	(4,101)	(1,106,589)	6,790	(297,459)	(3,500)	3,161	(3,593)	2,579,194	-	1,514,647
Net assets (deficit), beginning 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
Net assets (deficit), end of year	\$ 77,970,515	\$ (35,091,242)	\$ 29,263,267	\$ (25,181)	\$ (1,740,313)	\$ 9,608,990	\$ (624,154)	\$ (285,572)	\$ (2,465,356)	\$ 341,555	\$ 2,815,622	\$ -	\$ 79,768,131

Common Ground Community H.D.F.C., Inc. and Affiliates
Consolidating Statement of Financial Position - Housing Entities
December 31, 2012

	Prince George Associates LP	Chelsea Residence LP	Schermerhorn 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	Housing Entities Eliminations	Total Housing Entities
Current Assets													
Cash	\$ 51,203	\$ 13,659	\$ 22,619	\$ 25,484	\$ 29,045	\$ 180,554	\$ 715,269	\$ 397,362	\$ 10,644	\$ 2,943	\$ 364,175	\$ -	\$ 1,812,957
Accounts receivable, net	409,268	182,363	230,822	250,384	273,398	93,853	163,806	12,033	132,386	4,326	5,020	(163,806)	1,593,853
Advances due from affiliates	2,497,000	870,317	1,327,416	239,451	618,703	-	-	1,662,276	105,589	5,749	-	(1,668,478)	5,658,023
Other current assets	1,240	6,999	22,000	14,204	10,585	8,703	58,227	1,742,128	22,745	-	8,650	(1,789,431)	106,050
Total current assets	2,958,711	1,073,338	1,602,857	529,523	931,731	283,110	937,302	3,813,799	271,364	13,018	377,845	(3,621,715)	9,170,883
Property and Equipment													
Property and equipment, net	32,292,005	22,388,954	52,008,533	53,630,273	36,295,773	23,301,282	19,770,904	15,107	40,620,154	13,081,794	15,234,171	-	308,638,950
Total property and equipment	32,292,005	22,388,954	52,008,533	53,630,273	36,295,773	23,301,282	19,770,904	15,107	40,620,154	13,081,794	15,234,171	-	308,638,950
Other Noncurrent Assets													
Lender restricted cash and contractual reserves:													
Contractual reserves	517,888	935,061	810,713	2,810,763	741,195	149,749	1,958,035	-	599,535	76,794	589,314	-	9,189,047
Total lender restricted cash and contractual reserves	517,888	935,061	810,713	2,810,763	741,195	149,749	1,958,035	-	599,535	76,794	589,314	-	9,189,047
Tenant security deposits	136,189	57,827	106,566	84,625	63,082	12,967	-	65,478	30,201	42,937	38,170	-	638,042
Other assets, net	66,011	134,245	273,096	513,130	181,547	138,914	107,027	-	398,921	150,979	105,703	-	2,069,573
Total other noncurrent assets	720,088	1,127,133	1,190,375	3,408,518	985,824	301,630	2,065,062	65,478	1,028,657	270,710	733,187	-	11,896,662
Total assets	\$ 35,970,804	\$ 24,589,425	\$ 54,801,765	\$ 57,568,314	\$ 38,213,328	\$ 23,886,022	\$ 22,773,268	\$ 3,894,384	\$ 41,920,175	\$ 13,365,522	\$ 16,345,203	\$ (3,621,715)	\$ 329,706,495
Liabilities and Partners' Equity (Deficit)													
Current Liabilities													
Accounts payable and accruals	\$ 633,096	\$ 122,034	\$ 99,565	\$ 75,302	\$ 124,108	\$ 94,785	\$ 55,645	\$ 310,627	\$ 179,358	\$ 50,050	\$ 271,386	\$ (222,033)	\$ 1,793,923
Construction payable	169,813	437,070	-	659,167	592,990	1,362,188	-	-	485,557	495,674	630,035	-	4,832,494
Due to affiliates	3,284,099	1,094,351	2,097,903	2,880	100,000	1,646,990	4,873,084	204,655	3,642	1,197,364	199,544	(1,668,478)	13,036,034
Prepaid rent	23,171	5,080	12,694	12,596	5,267	4,425	1,731,204	6,679	9,876	1,259	929	(1,731,204)	81,976
Development fee payable	233,229	62,420	-	-	-	-	-	-	-	795,577	-	-	1,091,226
Mortgages and notes payable	-	-	-	-	-	-	23,075	-	-	-	2,552,052	-	2,575,127
Total current liabilities	4,343,408	1,720,955	2,210,162	749,945	822,365	3,108,388	6,683,008	521,961	678,433	2,539,924	3,653,946	(3,621,715)	23,410,780
Noncurrent Liabilities													
Security deposits	135,395	57,818	107,008	84,046	63,351	12,752	-	56,955	30,201	39,768	38,170	-	625,464
Accrued interest payable - mortgages and notes	2,358,585	605,878	808,759	616,212	539,806	60,107	86,157	-	43,014	-	44,918	-	5,163,436
Accrued interest payable - affiliate notes	-	-	-	199,773	-	1,633,673	-	-	60,664	-	-	-	1,894,110
Development fee payable	-	-	4,266,436	6,850,000	1,668,320	1,020,000	1,006,856	-	3,052,063	-	1,422,283	-	19,285,958
Affiliate notes payable	8,579,694	1,000,000	708,840	2,008,995	1,537,500	9,639,707	699,754	-	4,650,000	-	1,173,943	-	29,998,433
Mortgages and notes payable	16,606,976	21,728,723	26,194,334	31,190,758	21,100,000	2,553,300	12,365,928	-	24,340,763	9,131,711	2,996,212	-	168,208,705
Total noncurrent liabilities	27,680,650	23,392,419	32,085,377	40,949,784	24,908,977	14,919,539	14,158,695	56,955	32,176,705	9,171,479	5,675,526	-	225,176,106
Total liabilities	32,024,058	25,113,374	34,295,539	41,699,729	25,731,342	18,027,927	20,841,703	578,916	32,855,138	11,711,403	9,329,472	(3,621,715)	248,586,886
Controlling interest	(1,333)	(676)	(693)	(340)	(449)	646	1,274,637	(10)	(105)	(47)	(51)	-	1,271,579
Noncontrolling interest	3,948,079	(523,273)	20,506,919	15,868,925	12,482,435	5,857,449	656,928	3,315,478	9,065,142	1,654,166	7,015,782	-	79,848,030
Total partners' equity (deficit)	3,946,746	(523,949)	20,506,226	15,868,585	12,481,986	5,858,095	1,931,565	3,315,468	9,065,037	1,654,119	7,015,731	-	81,119,609
Total liabilities and partners' equity (deficit)	\$ 35,970,804	\$ 24,589,425	\$ 54,801,765	\$ 57,568,314	\$ 38,213,328	\$ 23,886,022	\$ 22,773,268	\$ 3,894,384	\$ 41,920,175	\$ 13,365,522	\$ 16,345,203	\$ (3,621,715)	\$ 329,706,495

See Independent Auditor's Report.

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

Consolidating Statement of Activities - Housing Entities

For the year ended December 31, 2012

	Prince George Associates LP	Chelsea Residence LP	Schermerhorn 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	Housing Entities Eliminations	Total Housing Entities
Revenues and support													
Rental income	\$ 3,851,322	\$ 1,921,099	\$ 2,066,743	\$ 2,596,347	\$ 1,790,917	\$ 653,334	\$ 383,959	\$ 893,208	\$ 701,150	\$ 248,188	\$ 253,110	\$ (383,959)	\$ 14,975,418
Investment income	-	653	-	-	-	22	2,527	-	-	-	-	-	3,202
Other income	267,790	84,661	203,440	214,728	73,224	153,612	10,000	58,530	8,457	6,595	6,086	-	1,087,123
Total revenues and support	<u>4,119,112</u>	<u>2,006,413</u>	<u>2,270,183</u>	<u>2,811,075</u>	<u>1,864,141</u>	<u>806,968</u>	<u>396,486</u>	<u>951,738</u>	<u>709,607</u>	<u>254,783</u>	<u>259,196</u>	<u>(383,959)</u>	<u>16,065,743</u>
Expenses													
Program services													
Affordable housing operations	<u>3,600,833</u>	<u>1,929,960</u>	<u>2,342,720</u>	<u>2,355,065</u>	<u>1,714,235</u>	<u>956,420</u>	<u>89,537</u>	<u>930,063</u>	<u>1,151,157</u>	<u>423,799</u>	<u>413,886</u>	<u>(383,959)</u>	<u>15,523,716</u>
Total program services	<u>3,600,833</u>	<u>1,929,960</u>	<u>2,342,720</u>	<u>2,355,065</u>	<u>1,714,235</u>	<u>956,420</u>	<u>89,537</u>	<u>930,063</u>	<u>1,151,157</u>	<u>423,799</u>	<u>413,886</u>	<u>(383,959)</u>	<u>15,523,716</u>
Supporting services													
Depreciation and amortization	1,124,490	632,623	1,613,916	1,564,898	1,188,246	791,091	637,776	3,101	552,072	302,299	274,052	-	8,684,564
Interest and service fees	193,838	71,081	265,591	402,628	217,774	507,327	249,075	-	59,997	-	81,289	-	2,048,600
Total supporting services	<u>1,318,328</u>	<u>703,704</u>	<u>1,879,507</u>	<u>1,967,526</u>	<u>1,406,020</u>	<u>1,298,418</u>	<u>886,851</u>	<u>3,101</u>	<u>612,069</u>	<u>302,299</u>	<u>355,341</u>	<u>-</u>	<u>10,733,164</u>
Total expenses	<u>4,919,161</u>	<u>2,633,664</u>	<u>4,222,227</u>	<u>4,322,591</u>	<u>3,120,255</u>	<u>2,254,838</u>	<u>976,388</u>	<u>933,164</u>	<u>1,763,226</u>	<u>726,098</u>	<u>769,227</u>	<u>(383,959)</u>	<u>26,256,880</u>
Net income (loss)	<u>\$ (800,049)</u>	<u>\$ (627,251)</u>	<u>\$ (1,952,044)</u>	<u>\$ (1,511,516)</u>	<u>\$ (1,256,114)</u>	<u>\$ (1,447,870)</u>	<u>\$ (579,902)</u>	<u>\$ 18,574</u>	<u>\$ (1,053,619)</u>	<u>\$ (471,315)</u>	<u>\$ (510,031)</u>	<u>\$ -</u>	<u>\$ (10,191,137)</u>

See Independent Auditor's Report.