

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

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

December 31, 2013

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., and Affiliates

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, 2013 and the related consolidated statements of activities (with supplementary information), changes in net assets and cash flows for the year then ended and the related notes to the 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, 2013 and the changes in their net assets and their 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 consolidated financial statements as a whole. The accompanying supplementary information included in the consolidated statement of financial position as of December 31, 2013 and the consolidated statement of activities for the year then ended is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information included 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 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 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 consolidated financial statements or to the 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 consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

New York, New York
July 1, 2014

Common Ground Community H.D.F.C., Inc. and Affiliates
Consolidated Statement of Financial Position (with Supplementary Information)
December 31, 2013

	Not-for-Profit Entities (Supplementary Information)	Housing Entities (Supplementary Information)	Eliminations (Supplementary Information)	Consolidated
Assets				
Cash	\$ 6,241,315	\$ 1,599,975	\$ -	\$ 7,841,290
Accounts receivable, net	15,472,311	2,281,844	(1,118,269)	16,635,886
Advances due from affiliates	14,846,064	7,928,313	(22,774,377)	-
Other assets, net	1,296,915	2,935,475	-	4,232,390
Tenant security deposits	498,335	638,010	-	1,136,345
Development fees receivable and accrued interest	18,405,128	-	(9,761,067)	8,644,061
Accrued interest receivable - affiliate notes	2,506,076	-	(2,506,076)	-
Affiliate notes receivable	30,494,408	-	(30,494,408)	-
Investments in housing entities	7,248,337	-	(7,248,337)	-
Lender restricted cash and contractual reserves				
Lender restricted cash	2,644,175	1,629,773	-	4,273,948
Contractual reserves	11,622,511	7,901,423	-	19,523,934
Total lender restricted cash and contractual reserves	14,266,686	9,531,196	-	23,797,882
Property and equipment				
Construction-in-progress	430,735	8,431,977	-	8,862,712
Property and equipment, net	55,265,729	303,901,429	(8,817,181)	350,349,977
Total property and equipment	55,696,464	312,333,406	(8,817,181)	359,212,689
Total assets	\$ 166,972,039	\$ 337,248,219	\$ (82,719,715)	\$421,500,543

See notes to consolidated financial statements.

Common Ground Community H.D.F.C., Inc. and Affiliates
Consolidated Statement of Financial Position (with Supplementary Information) - Continued
December 31, 2013

	Not-for-Profit Entities (Supplementary Information)	Housing Entities (Supplementary Information)	Eliminations (Supplementary Information)	Consolidated
Liabilities				
Accounts payable and accruals	\$ 12,469,605	\$ 2,117,297	\$ (3,563,421)	\$ 11,023,481
Prepaid rent	20,176	94,550	-	114,726
Construction payable	128,066	3,737,608	-	3,865,674
Due to affiliates	7,928,613	14,845,764	(22,774,377)	-
Security deposits	589,516	633,848	-	1,223,364
Accrued interest payable - mortgages and notes	141,090	6,496,197	-	6,637,287
Accrued interest payable - affiliate notes	-	2,506,076	(2,506,076)	-
Deferred revenue	2,855,827	-	(725,000)	2,130,827
Project grant advances	12,461,284	-	-	12,461,284
Development fees payable	-	19,153,171	(9,761,067)	9,392,104
Affiliate notes payable	-	30,494,408	(30,494,408)	-
Mortgages and notes payable	48,479,506	181,672,210	-	230,151,716
Total liabilities	85,073,683	261,751,129	(69,824,349)	277,000,463
Commitments and contingencies				
Net Assets				
Unrestricted				
Controlling interest	72,399,257	4,550,357	(12,895,366)	64,054,248
Noncontrolling interest	-	70,946,733	-	70,946,733
Temporarily restricted	9,499,099	-	-	9,499,099
Total net assets	81,898,356	75,497,090	(12,895,366)	144,500,080
Total liabilities and net assets	\$ 166,972,039	\$ 337,248,219	\$ (82,719,715)	\$ 421,500,543

See notes to consolidated financial statements.

Common Ground Community H.D.F.C., Inc. and Affiliates
Consolidated Statement of Activities (with Supplementary Information)
Year ended December 31, 2013

	Not-for-Profit Entities (Supplementary Information)	Housing Entities (Supplementary Information)	Eliminations (Supplementary Information)	Consolidated
Unrestricted Net Assets				
Unrestricted Revenues and Support				
Contributions	\$ 2,313,197	\$ -	\$ -	\$ 2,313,197
Government grants and contracts	19,913,809	-	-	19,913,809
Management and partnership fees	1,641,581	-	(1,423,839)	217,742
Development fees	735,137	-	233,229	968,366
Rental income	9,370,466	17,405,987	(1,582,115)	25,194,338
Investment income	628,218	6,110	(611,966)	22,362
Other income	1,132,898	985,213	342,469	2,460,580
Net assets released from restrictions	538,447	-	-	538,447
Total revenues and support	36,273,753	18,397,310	(3,042,222)	51,628,841
Expenses				
Social services	22,467,067	-	(160,729)	22,306,338
Housing management and development	1,812,930	-	-	1,812,930
Affordable housing operations	4,984,594	16,551,351	(3,033,096)	18,502,849
General and administrative	5,909,648	-	-	5,909,648
Fundraising	775,816	-	-	775,816
Depreciation and amortization	2,660,785	9,667,685	(617,417)	11,711,053
Interest and service fees	606,539	2,272,209	(611,966)	2,266,782
Total expenses	39,217,379	28,491,245	(4,423,208)	63,285,416
Change in net assets before other non-recurring items	(2,943,626)	(10,093,935)	1,380,986	(11,656,575)
Transfer of ownership of Prince George Associates, L.P. to CGC II	4,478,298	-	(4,478,298)	-
Gain on forgiveness of project grant advance	330,000	-	-	330,000
Increase (decrease) in unrestricted net assets	1,864,672	(10,093,935)	(3,097,312)	(11,326,575)
Temporarily Restricted Net Assets				
Temporarily Restricted Revenues and Support				
Contributions	804,000	-	-	804,000
Net assets released from restrictions	(538,447)	-	-	(538,447)
Increase in temporarily restricted net assets	265,553	-	-	265,553
Changes in net assets	2,130,225	(10,093,935)	(3,097,312)	(11,061,022)
Excess of expenses over revenues and support attributable to noncontrolling interest	-	10,092,926	-	10,092,926
Excess (deficiency) of revenues and support over expenses attributable to Common Ground	\$ 2,130,225	\$ (1,009)	\$ (3,097,312)	\$ (968,096)

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, 2013

	Unrestricted net assets			Temporarily restricted net assets	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2013	\$ 62,008,171	\$ 79,848,030	\$ 141,856,201	\$ 9,233,546	\$ 151,089,747
Contributions from investors	-	4,471,355	4,471,355	-	4,471,355
Transfer of ownership of Prince George Associates, L.P. to CGC II	3,279,726	(3,279,726)	-	-	-
Excess of expenses over revenue attributable to noncontrolling interests	-	(10,092,926)	(10,092,926)	-	(10,092,926)
Excess of revenue over expenses/(excess of expenses over revenue) attributable to Common Ground	(1,233,649)	-	(1,233,649)	265,553	(968,096)
Ending balance, December 31, 2013	<u>\$ 64,054,248</u>	<u>\$ 70,946,733</u>	<u>\$ 135,000,981</u>	<u>\$ 9,499,099</u>	<u>\$ 144,500,080</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, 2013

Cash flows from operating activities	
Changes in net assets	\$ (11,061,022)
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation and amortization	11,711,053
Bad debt expense	1,184,904
Gain on forgiveness of project grant advance	(330,000)
(Increase) decrease in operating assets	
Accounts receivable	(941,236)
Development fees receivable and accrued interest	990,684
Other assets	(907,765)
Tenant security deposits	(4,794)
Increase (decrease) in operating liabilities	
Accounts payable and accruals	(1,500,445)
Prepaid rent	(32,729)
Security deposits	(23,190)
Accrued interest payable - mortgages and notes	1,180,171
Deferred revenue	969,862
Project grant advances	(274,222)
Net cash provided by operating activities	<u>961,271</u>
Cash flows from investing activities	
Withdrawals of contractual reserves	3,514,185
Withdrawals of lender restricted cash	3,262,754
Deposits to contractual reserves	(2,299,726)
Deposits to lender restricted cash	(4,649,468)
Capital expenditures	(10,963,908)
Net cash used in investing activities	<u>(11,136,163)</u>
Cash flows from financing activities	
Capital contributions received from investors	4,471,355
Payments of construction payable	(3,376,141)
Proceeds from loans	16,128,082
Repayments of loans	(4,292,568)
Net cash provided by financing activities	<u>12,930,728</u>
Net increase in cash	2,755,836
Cash, beginning of year	<u>5,085,454</u>
Cash, end of year	<u><u>\$ 7,841,290</u></u>
Supplemental disclosure of information:	
Cash paid for interest, net of amounts capitalized	\$ 1,028,043
Supplemental schedule of non-cash investing and financing activities:	
HUD mortgage issued in connection with co-sponsorship agreement	\$ 3,742,877
Construction payable capitalized to rental property	1,290,471

See notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

December 31, 2013

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 persons.

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 those 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, for-profit limited partnerships ("LPs"), and limited liability corporations ("LLCs"), all of which have been formed as supporting entities to Common Ground to further its 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. ("CGC") was organized on October 11, 1990, under Section 402 of the Not-for-Profit Corporation Law ("Section 402 of the NFPCL") and pursuant to Article XI of the Private Housing Finance Law ("Article XI of the PHFL") of the

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

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 ("Section 501(c)(3) of the IRC"). CGC was formed for the charitable purpose of rehabilitating, maintaining, and operating low-income housing projects and providing 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 \$16,080,000 as well as the resulting liquidation of the limited partnership. Ownership of the Times Square Hotel now resides with the T.S. 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 NFPCL and pursuant to Article XI of the PHFL 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 IRC. CGC II was formed for the charitable purpose of owning, rehabilitating, managing, maintaining and operating low-income housing projects and providing 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, L.P., Brook Avenue Housing L.P., Pitt Street L.P., 410 Asylum Street, LLC, 410 Asylum Street Historic LLC, Hegeman Avenue Housing L.P., 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, L.P., 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.

On October 1, 2013, the operating agreement of Prince George Investment LLC, the investor limited partner of Prince George Associates, L.P., was further amended to execute an assignment and assumption of membership interest. The investor limited partner entered into a charitable contribution agreement to donate its remaining 49.995% ownership interest in Prince George Associates, L.P. to CGC II. CGC II was not required to contribute any new capital to Prince George Associates, L.P. and did not separately purchase its interest from the donor. The acquisition of the ownership interest by CGC II has been accounted for at historical cost, similar to an acquisition of noncontrolling interest. The balance of the investor limited partner's capital account at October 1, 2013 has been accounted for as an addition to the capital account of the GP. Further, no amount of the investor limited partner's capital account has been allocated to CGC II in connection with its admission to the Partnership since CGC II is not entitled to receive any economic benefit

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

associated with the investor limited partner's ownership interest prior to the date of CGC II's admission.

Common Ground Community III H.D.F.C., Inc. ("CGC III") was organized on October 24, 2000, under Section 402 of the NFPCL and pursuant to Article XI of the PHFL 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 IRC. 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 ("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 organized on October 23, 2001, under Section 402 of the NFPCL and pursuant to Article XI of the PHFL 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 IRC. CGC IV was formed for the charitable purpose of owning, rehabilitating, and operating a housing project at 197 Bowery, New York City (the "Andrews"). CGC IV provides emergency shelter and social services for individuals transitioning from homelessness to permanent housing at the Andrews.

Common Ground Ventures Corp. ("CGVC") was organized on January 25, 1993, under Section 402 of the NFPCL. CGVC is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the IRC. 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 NFPCL. CGJTC is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the IRC. 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 NFPCL. CGM is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the IRC. 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 NFPCL. CGRC is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the IRC. CGRC holds the apartment leases related to Common Ground's scatter-site housing activities.

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

Schermerhorn House H.D.F.C., Inc. ("Schermerhorn") was organized under Section 402 of the NFPCL and pursuant to Article XI of the PHFL of the State of New York. Schermerhorn was formed to develop a 217-unit apartment building in Brooklyn, NY 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 GP of Schermerhorn L.P.

St. Marks Brownsville H.D.F.C., Inc. (the "Domenech") was organized on May 23, 2006, under Section 402 of the NFPCL and pursuant to Article XI of the PHFL of the State of New York. The Domenech was formed to develop a 70-unit apartment building in Brooklyn, NY to house low-income elderly and disabled persons who require housing facilities and services specially designed to meet their physical, social, and psychological needs. St. Marks Senior Housing Corporation is the GP of St. Marks Brownsville L.P.

Brook Avenue H.D.F.C., Inc. (the "Brook") was organized on October 24, 2006, under Section 402 of the NFPCL and pursuant to Article XI of the PHFL of the State of New York. The Brook was formed to develop a 190-unit building to house low-income working adults from the South Bronx, NY, and formerly homeless single adults, many with special needs. The Brook is the sole shareholder of CG-Brook Avenue Housing Corp., the GP of Brook Avenue Housing L.P.

Common Ground is the sole owner or controlling member of each GP, which owns .01% of their associated LP's and LLC's. These entities were formed to own individual properties that are developed and managed to provide low-income housing. These entities include:

Limited Partnership/ Limited Liability Corporation	General Partner
Prince George Associates, L.P.	Prince George G.P. Corporation
Chelsea Residence Limited Partnership	Chelsea GP Corp.
Brook Avenue Housing L.P.	CG-Brook Avenue Housing Corp.
Schermerhorn L.P.	Schermerhorn Housing Corp.
Pitt Street L.P.	Pitt Street Housing Corp.
410 Asylum Street, LLC	Common Ground 410 Asylum LIHTC LLC
410 Asylum Street Historic LLC	Common Ground 410 Asylum HTC LLC
St. Marks Brownsville L.P.	St. Marks Senior Housing Corporation
Common Ground Cedarwoods Housing LLC	Common Ground Cedarwoods Management LLC
Hegeman Avenue Housing L.P.	CG-Hegeman Avenue Housing Corporation
1630 Dewey Avenue LLC	1630 Dewey Avenue Managing Member, Inc.
Boston Road Housing, L.P.	CG-Boston Road Housing Corp.

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

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:

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/member equity interests in the non-wholly-owned housing entities that are included in the consolidated financial statements.

Temporarily restricted net assets - resources which contain donor-imposed stipulations 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, 2013.

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 – LPs or LLCs that are controlled by Common Ground or its affiliated not-for-profit entities, or those entities over which Common Ground exercises significant influence are included in the consolidated 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/members of the respective housing entities. The portion of the housing entities not controlled by Common Ground or its 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.

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

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

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 as it is 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's affiliated 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 the respective housing entities' 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 on the accompanying consolidated statement 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 GP of 1630 Dewey Avenue LLC, earned a New York State Brownfield redevelopment tax credit ("incentive income") in the amount of \$3,695,452, and is included in accounts receivable on the accompanying consolidated statement of financial position as of December 31, 2013. Of this amount, \$2,000,000 is expected to be received in 2014, with the remaining incentive income over a period of three years ending December 31, 2017. Applicable federal income taxes of \$1,250,300 have been accrued and are included in accounts payable and accruals on the accompanying consolidated statement of financial position as of December 31, 2013. 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 - Continued

December 31, 2013

Government Grants and Contracts

Government grants and contracts revenue is recognized 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 ("OIG") 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 its bank accounts with several financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate amount of \$250,000 for each entity. At times, cash balances within these 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.

During the year ended December 31, 2013, Common Ground identified and corrected certain immaterial adjustments related to the December 31, 2012 cash balance of approximately \$1,055,000, which were previously recorded as lender restricted cash and contractual reserves for restricted cash amounts.

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 balance as of December 31, 2013 is \$1,093,598.

Development Fees Receivable

Development fees receivable presented on the accompanying consolidated statement of financial position represent development fees due from affiliated 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/member equity contribution. The development fees receivable balance as of December 31, 2013 is \$8,644,061.

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

Lender Restricted Cash and Contractual Reserves

Lender restricted cash and contractual 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 on the accompanying consolidated statement of activities.

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 or 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 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 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 statement of financial position or in the near term, which Common Ground has determined to be within 90 days.

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

- 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.

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.

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. Property and equipment costing greater than \$5,000 and with a useful life greater than three years are capitalized. Expenditures for maintenance and repairs are charged to expenses

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

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:

<u>Property classification</u>	<u>Estimated useful lives</u>
Buildings and improvements	40 years
Leasehold improvements	Shorter life of asset or lease
Furniture and equipment	3-7 years

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 costs are 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 and presented as 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 indicate 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 year ended December 31, 2013.

Management has evaluated the US GAAP requirements governing conditional asset retirement obligations and determined that no adjustments or additional disclosures related thereto are necessary as of and for the year ended December 31, 2013.

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 on the accompanying consolidated statement 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 on the accompanying consolidated statement of financial position.

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis on the accompanying consolidated statement of activities based on an analysis made by management, with the exception of depreciation and amortization and interest and service fees as described in Note 10.

Income Taxes

Common Ground has no unrecognized tax benefits as of December 31, 2013. Common Ground's federal and state income tax returns prior to fiscal year 2010 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 on the accompanying consolidated statement of activities and include accrued interest and penalties with the related tax liability on the accompanying consolidated statement of financial position. There were no interest or penalties for the year ended December 31, 2013.

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 statuses as pass-through entities are based on the legal statuses as LPs or LLCs. 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 (the "IRS") 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 Managing Member Inc.

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.

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

Note 3 - Lender Restricted Cash and Contractual Reserves

Under the terms of the 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/member or mortgage lender. These reserve accounts are primarily funded from the proceeds of Common Ground's earned development fees, a portion of which is required to be placed in reserve when paid by the LP or LLC. These reserves are required by the investor and lender to fund potential operating deficits or building replacement needs. The amount and terms of such reserves are set forth in the respective LP or LLC operating agreements.

Lender restricted cash and contractual reserves, at fair value, as of December 31, 2013 consist of the following:

Cash	\$ 10,381,153
Certificate of deposit	1,800,000
Treasury bills	<u>11,616,729</u>
Total	<u>\$ 23,797,882</u>

Common Ground's lender restricted cash and contractual reserves classified within the fair value hierarchy as of December 31, 2013 consist of the following:

	Level 1	Level 2	Total
Cash	\$ 10,381,153	\$ -	\$ 10,381,153
Certificate of deposit	-	1,800,000	1,800,000
Treasury bills	-	<u>11,616,729</u>	<u>11,616,729</u>
Total	<u>\$ 10,381,153</u>	<u>\$ 13,416,729</u>	<u>\$ 23,797,882</u>

Common Ground did not have any lender restricted cash or contractual reserves classified as Level 3 as of December 31, 2013.

Investment income for the year ended December 31, 2013 consists of the following:

Interest and dividends	\$ 22,423
Unrealized gains (losses)	<u>(61)</u>
Total	<u>\$ 22,362</u>

Contractual reserve fees totaled \$60,465 for the year ended December 31, 2013.

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

Note 4 - Property and Equipment, Net

Property and equipment, net, as of December 31, 2013, consist of the following:

Buildings and improvements	\$ 377,455,033
Leasehold improvements	4,660,592
Furniture and equipment	15,844,533
Land	32,461,830
Construction-in-progress	8,862,712
Less: accumulated depreciation	<u>(80,072,011)</u>
	<u><u>\$ 359,212,689</u></u>

Depreciation and amortization expenses totaled \$11,711,053 for the year ended December 31, 2013. Ongoing construction-in-progress projects are expected to be completed in 2015 with approximately \$26,400,000 of additional expenditures expected to be incurred.

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

Notes to Consolidated Financial Statements

December 31, 2013

Note 5 - Project Grant Advances

Project grant advances, which depend on the occurrence of a specified future uncertain event to bind the funder, are 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 accompanying consolidated statement of financial position as of December 31, 2013 and consist of the following:

	Amount	Maturity Date	Interest Rate
Federal Home Loan Bank for:			
Andrews	\$ 500,000	4/17/2024	0%
Brook Avenue Housing L.P.	1,500,000	9/16/2025	0%
St. Marks Brownsville L.P.	1,080,000	11/26/2023	0%
Hegeman Avenue Housing L.P.	1,650,000	6/9/2025	0%
Chelsea Residence Limited Partnership	1,000,000	1/16/2033	0%
Schermerhorn L.P.	675,000	12/29/2035	0%
Pitt Street L.P.	1,000,000	12/28/2021	0%
1630 Dewey Avenue LLC	299,990	9/30/2025	0%
Neighborhood Stabilization Program	2,487,059	6/9/2027	1%
New York State Office of Mental Health	1,320,000	1/31/2018	0%
HOME Investment Partnership Program	573,953	8/31/2040	0%
HUD Continuum of Care	300,000	9/30/2040	0%
Lower Manhattan Development Corporation	75,282	4/6/2021	0%
Total project grant advances	<u>\$ 12,461,284</u>		

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

Note 6 - Mortgages and Notes Payable

The various debt obligations outstanding as presented on the accompanying consolidated statement of financial position as of December 31, 2013 consist of the following:

Common Ground and Affiliates	Lender	Amount Outstanding	Final Maturity Date	Interest Rate
CGC	Mizuho Corporate Bank (USA)	\$ 1,576,269	10/23/2015	LIBOR plus 1.5%
CGC	TruFund Financial (formerly Seedco Financial)	163,708	9/2/2014	7%
CGC	van Ameringen Foundation	1,000,000	8/1/2014	2%
CGC	Deutsche Bank Americas Foundation	50,000	7/31/2015	Non-interest bearing
CGC	JP Morgan Chase	1,250,000	9/30/2014	3.25%
CGC	US Department of Housing and Urban Development	3,742,877	12/1/2054	0%
T.S. Hotel LLC	NYC Department of HPD	17,859,752	5/15/2025	1%
T.S. Hotel LLC	NYC Department of HPD	10,990,355	7/1/2041	1%
CGC IV	NYC Department of HPD	2,764,073	1/5/2040	1%
CGC IV	NYS Homeless Housing Assistance Corporation	5,698,300	4/30/2034	0%
CGC IV	NYC Department of HPD - Reso A	803,172	1/5/2040	1%
CGC IV	MacArthur Foundation	2,000,000	10/1/2018	2%
CGC IV	NYS Housing Finance Agency	581,000	1/5/2040	Non-interest bearing
Prince George Associates, L.P.	NYC Department of HPD	12,606,976	11/1/2028	1%
Prince George Associates, L.P.	NYS Homeless Housing Assistance Corporation	4,000,000	11/1/2029	1%
Chelsea Residence Limited Partnership	NYC Department of HPD	16,259,309	5/15/2035	0.10%
Chelsea Residence Limited Partnership	NYS Homeless Housing Assistance Corporation	5,469,414	11/1/2029	1%
Schermerhorn L.P.	NYS Homeless Housing Assistance Corporation	6,749,800	4/30/2039	1%
Schermerhorn L.P.	NYC Department of HPD	19,711,934	4/29/2038	1%
Pitt Street L.P.	NYC Department of HPD	24,670,000	9/1/2041	1%
Pitt Street L.P.	NYS Homeless Housing Assistance Corporation	6,520,758	12/28/2040	1%
Brook Avenue Housing L.P.	NYC Department of HPD	17,600,000	11/1/2040	1%
Brook Avenue Housing L.P.	NYS Homeless Housing Assistance Corporation	3,500,000	12/20/2039	1%

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

Common Ground and Affiliates	Lender	Amount Outstanding	Final Maturity Date	Interest Rate
St Marks Brownsville L.P.	NYS Homeless Housing Assistance Corporation	1,803,300	3/29/2051	1%
St Marks Brownsville L.P.	NYC Department of HPD - Reso A	750,000	11/26/2050	Non-interest bearing
410 Asylum Street, LLC	State of Connecticut Department			
410 Asylum Street, LLC	of Economic and Comm Dev.	2,000,000	3/27/2038	1%
410 Asylum Street, LLC	City of Hartford, CT	337,415	8/1/2042	1%
410 Asylum Street, LLC	Connecticut Housing Finance Authority	3,954,135	11/1/2042	5.25%
410 Asylum Street, LLC	Connecticut Housing Finance Authority	6,073,808	3/1/2041	Non-interest bearing
Hegeman Avenue Housing L.P.	NYC Department of HPD	17,850,000	6/1/2030	1%
Hegeman Avenue Housing L.P.	NYS Homeless Housing Assistance Corporation	5,580,554	12/8/2039	1%
Hegeman Avenue Housing L.P.	NYS Housing Finance Agency (Subsidy loan)	910,209	5/1/2040	1%
Common Ground Cedarwoods Housing LLC	Connecticut Housing Finance Authority (TCAP)	5,701,488	10/1/2060	Non-interest bearing
Common Ground Cedarwoods Housing LLC	State of Connecticut Department			
	of Economic and Comm Dev.	3,430,000	12/15/2060	Non-interest bearing
1630 Dewey Avenue LLC	NYS Homeless Housing Assistance Corporation	3,000,000	9/1/2040	1%
1630 Dewey Avenue LLC	Chase (Construction loan - CPC)	2,630,153	n/a	LIBOR plus 2.5%
Boston Road Housing L.P.	NYC Department of HPD	632,616	4/27/2016	0%
Boston Road Housing L.P.	NYS Homeless Housing Assistance Corporation	2,945,829	6/26/2043	1%
Boston Road Housing L.P.	NYS Housing Finance Agency	3,457,942	7/1/2046	2%
Boston Road Housing L.P.	NYS Housing Finance Agency (Subsidy loan)	3,526,570	7/1/2046	6%
	Total mortgages and notes payable	<u>\$ 230,151,716</u>		

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

Maturities of mortgages and notes payable as of December 31, 2013 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2014	\$ 5,092,266
2015	1,625,488
2016	657,688
2017	1,025,965
2018	1,026,903
Thereafter	220,723,406
	<u>\$ 230,151,716</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. Common Ground is not in compliance with the reserve funding requirement of its loans with the NYC Department of HPD for T.S. Hotel LLC. As a result, NYC Department of HPD, can, at its option, demand immediate repayment of the balances due on the loans. As of July 1, 2014, there has been no demand for repayment of these obligations. However, there can be no assurance that a demand for repayment will not be made in the future.

Interest and service fees of \$2,266,782 were recorded and expensed for the year ended December 31, 2013.

Note 7 - Government Grants and Contracts

Government grants and contracts revenue received by Common Ground from various Federal, New York City and state government agencies for the year ended December 31, 2013 consists of the following:

NYC Department of Homeless Services	\$ 12,657,605
NYC HIV/AIDS Service Administration	2,507,269
NYS Department of Health and Mental Hygiene	2,173,595
US Department of Veteran Affairs	1,358,734
US Department of Housing and Urban Development	654,740
NYS Office of Temporary and Disability Assistance	343,100
CT Department of Mental Health and Addiction Services	134,766
Other Government Agencies	<u>84,000</u>
	<u>\$ 19,913,809</u>

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

Note 8 - Defined Contribution Plans

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 IRC or otherwise disqualify the 403(b) Plan. Common Ground made 403(b) Plan contributions of \$336,704 for the year ended December 31, 2013.

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, 2013, the total liability relating to this plan was \$22,254.

Note 9 - Commitments and Contingencies

Leases

Common Ground leases office space for its headquarters and space for its social services programs under operating leases expiring at various dates through 2027. Common Ground is obligated to pay annual rent and an additional amount based upon escalations in real estate taxes, maintenance and utility costs. Rent expense totaled \$2,584,424 for the year ended December 31, 2013. Estimated future minimum lease payments due under the terms of the leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2014	\$ 1,906,216
2015	995,353
2016	856,696
2017	875,073
2018	872,193
Thereafter	3,751,526
	<u>\$ 9,257,057</u>

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

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 \$1,186,443 for the year ended December 31, 2013. Estimated future minimum receipts due under the terms of the leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2014	\$ 1,171,928
2015	1,153,989
2016	1,046,035
2017	805,142
2018	847,166
Thereafter	3,636,754
	<u>\$ 8,661,014</u>

Guarantees

Common Ground, through its affiliates, is the GP and sponsor of Prince George Associates, L.P., Chelsea Residence Limited Partnership, Brook Avenue Housing L.P., Schermerhorn L.P., Pitt Street L.P., 410 Asylum Street, LLC, 410 Asylum Street Historic LLC, St. Marks Brownsville L.P., Common Ground Cedarwoods Housing LLC, Hegeman Avenue Housing L.P., 1630 Dewey Avenue LLC, and Boston Road Housing L.P.

Common Ground has guaranteed the obligations of its general partnership entities to the respective limited partners/members 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 LP's or LLC's. These obligations of Common Ground to the respective entities are limited by both time and amounts as follows:

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, 2013, the amount of such guarantee was \$1,378,177 and expired in 2013.

Chelsea Residence Limited Partnership:

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, 2013, the amount of such guarantee was \$516,965, expiring in 2018.

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

Brook Avenue Housing L.P.:

Guarantee for 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, 2013, the amount of such guarantee was \$3,667,785 expiring in 2025.

Schermerhorn L.P.:

Guarantee for tax credit compliance and operating deficits is limited to \$730,000. As of December 31, 2013, the amount of such guarantee was \$730,000 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, 2013, the amount of such guarantee was \$1,000,000 expiring in 2025.

410 Asylum Street, LLC and 410 Asylum Street Historic LLC:

Guarantee for 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. Marks 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 \$1,400,000 or the amount of the developer fees paid, which at December 31, 2013 was \$420,000. Once breakeven is achieved, the guarantee for operating deficits is limited to \$303,633 for a period of three years.

Common Ground Cedarwoods Housing LLC:

Common Ground Cedarwoods Management LLC, an affiliate, has guaranteed to pay Common Ground Cedarwoods 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, 2013, no amounts were funded under this guarantee.

Common Ground Cedarwoods Management LLC, an affiliate, has also guaranteed to lend Common Ground Cedarwoods Housing LLC an amount not exceeding \$192,432 required to fund operating deficits incurred by the entity 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 entity 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, 2013, no amounts were funded under this guarantee.

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

Common Ground Cedarwoods Management LLC, an affiliate, and its affiliates have together guaranteed that they will reimburse the investor members of Common Ground Cedarwoods 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.

Hegeman Avenue Housing L.P.:

Unconditional guarantee of tax credit compliance and construction completion. CGC has additionally guaranteed to lend to the LP any amounts required to fund operating deficits incurred by the LP during the tax credit compliance period not otherwise funded from the operating reserve.

1630 Dewey Avenue LLC:

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.

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.

Boston Road Housing L.P.:

In its capacity as developer of Boston Road Housing L.P, Common Ground has guaranteed the completion of construction of the Boston Road residence project. In addition, Common Ground has provided a limited guarantee of the letter of credit JP Morgan Chase Bank issued for the project 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. Common Ground has also provided operating deficit and tax credit compliance guarantees for the operational phase of the project. Construction completion is expected in 2015.

Management Fee Guarantees:

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.

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

Multiemployer Retirement Plan

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 among 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 multiemployer 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 2014 is for the Fund's plan year beginning January 1, 2013 and ending December 31, 2013 (the "Plan Year"). The Fund was in endangered status (yellow zone) in the Plan Year ending on December 31, 2013 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 ended December 31, 2013, Common Ground contributed approximately \$84,000 to the Fund, which is less than 5% of the plan's contributions.

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 expenses as functional expenses, Common Ground allocates 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 - Continued

December 31, 2013

For the year ended December 31, 2013, the total depreciation and amortization and interest and service fees were allocated to the following functional categories:

	Functional Expenses	Depreciation and Amortization	Interest and Service Fees	Total
Social services	\$ 22,306,338	\$ 765,298	\$ 35,672	\$ 23,107,308
Housing management and development	1,812,930	-	59,125	1,872,055
Affordable housing operations	18,502,849	10,567,231	2,036,580	31,106,660
General and administrative	5,909,648	378,524	135,405	6,423,577
Fundraising	775,816	-	-	775,816
Total	<u>\$ 49,307,581</u>	<u>\$ 11,711,053</u>	<u>\$ 2,266,782</u>	<u>\$ 63,285,416</u>

Note 11 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2013 consist of the following:

Housing Operations and Tenant Services	\$ 345,844
Street to Home Veterans' Initiative	89,363
HUD Capital Advance	8,529,707
Elderly Care Health Outreach	409,185
Boston Road Housing Development	125,000
	<u>\$ 9,499,099</u>

Note 12 - Net Assets Released From Restrictions

During the year ended December 31, 2013, temporarily restricted net assets that were released from restrictions in satisfaction of donor time or use restrictions, are as follows:

Housing Operations and Tenant Services	\$ 330,607
Street to Home Veteran's Initiative	102,026
Elderly Care Health Outreach	105,814
	<u>\$ 538,447</u>

Note 13 - 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 neediest 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.

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

Notes to Consolidated Financial Statements - Continued

December 31, 2013

The accompanying consolidated statement of financial position include the following as of December 31, 2013:

Accounts receivable	\$	580,121
Accounts payable and accruals		684,079

The accompanying consolidated statement of activities include the following for the year ended December 31, 2013:

Government grants and contracts revenue	\$	1,127,495
Social service expenses		1,520,403

Note 14 - Subsequent Events

Common Ground evaluated its December 31, 2013 consolidated financial statements for subsequent events through July 1, 2014, the date the consolidated financial statements were available to be issued and determined that the following information was pertinent:

On January 15, 2014, CGC II closed on a \$12,025,000 acquisition and predevelopment loan from the Low Income Investment Fund (New York City Acquisition Fund) and purchased a 61,000 square foot development site in the Tremont/Bathgate section of the Bronx. Common Ground intends to develop and construct two buildings on the site, resulting in approximately 418 new units of affordable housing. Construction is expected to begin in early 2015 on both buildings.

On January 15, 2014, West Manor Construction Corporation ("West Manor") filed a claim against Pitt Street L.P. in the New York State Supreme Court regarding unpaid construction costs as well as additional cost overruns due to delays in construction. West Manor requested damages in an amount of \$4,158,653. Pitt Street L.P. disputes the amount claimed by West Manor and subsequently filed a counterclaim for delays, non-conforming work, and back charges against West Manor in an amount of \$450,363. This litigation is in its early stages and the discovery process has just begun. As of July 1, 2014, the outcome of the claim and counterclaim cannot be determined. Therefore, no adjustments have been made to the consolidated financial statements as of December 31, 2013.

Supplementary Information

Common Ground Community H.D.F.C., Inc. and Affiliates
Consolidating Statement of Financial Position - Not-for-Profit Entities
December 31, 2013

	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. Marks Brownsville H.D.F.C., Inc.	General Partners	Not-for-Profit Entities Eliminations	Total Not-for-Profit Entities
Assets													
Cash	\$ 2,933,327	\$ 353,368	\$ 2,796,865	\$ 25,701	\$ 106,171	\$ 21,317	\$ 1,721	\$ -	\$ -	\$ -	\$ 2,845	\$ -	\$ 6,241,315
Accounts receivable, net	7,937,039	2,050,083	896,203	39,187	505,572	3,671	-	-	-	-	4,040,556	-	15,472,311
Advances due from affiliates	71,779,134	13,671,286	12,716,895	947,652	2,883	5,550,063	1,598,340	50	90,568	353,500	301,657	(92,165,964)	14,846,064
Other assets, net	853,543	418,359	512	47	6,692	-	17,762	-	-	-	-	-	1,296,915
Tenant security deposits	211,934	-	-	-	-	274,932	11,469	-	-	-	-	-	498,335
Development fees receivable and accrued interest	8,338,499	-	10,004,209	-	-	62,420	-	-	-	-	-	-	18,405,128
Accrued interest receivable - affiliate notes	2,213,628	-	292,448	-	-	-	-	-	-	-	-	-	2,506,076
Affiliate notes receivable	17,464,707	771,094	10,278,913	-	-	1,979,694	-	-	-	-	-	-	30,494,408
Investments in housing entities	-	-	350,395	(16,002)	-	-	-	-	(5,834)	120	6,919,658	-	7,248,337
Lender restricted cash and contractual reserves													
Lender restricted cash	1,800,000	79	-	-	844,096	-	-	-	-	-	-	-	2,644,175
Contractual reserves	6,397,212	-	2,474,862	-	962	2,749,475	-	-	-	-	-	-	11,622,511
Total lender restricted cash and contractual reserves	8,197,212	79	2,474,862	-	845,058	2,749,475	-	-	-	-	-	-	14,266,686
Property and equipment													
Construction-in-progress	319,365	-	111,370	-	-	-	-	-	-	-	-	-	430,735
Property and equipment, net	39,629,322	762,113	-	-	14,186,071	688,220	3	-	-	-	-	-	55,265,729
Total property and equipment	39,948,687	762,113	111,370	-	14,186,071	688,220	3	-	-	-	-	-	55,696,464
Total assets	\$ 159,877,710	\$ 18,026,382	\$ 39,922,672	\$ 996,585	\$ 15,652,447	\$ 11,329,792	\$ 1,629,295	\$ 50	\$ 84,734	\$ 353,620	\$ 11,264,716	\$ (92,165,964)	\$ 166,972,039
Liabilities and Net Assets (Deficit)													
Accounts payable and accruals	\$ 2,741,588	\$ 5,146,641	\$ 315,810	\$ 49,161	\$ 513,381	\$ 6,902	\$ -	\$ -	\$ 100	\$ 200	\$ 3,695,822	\$ -	\$ 12,469,605
Prepaid rent	19,538	-	-	-	638	-	-	-	-	-	-	-	20,176
Construction payable	-	-	-	-	128,066	-	-	-	-	-	-	-	128,066
Due to affiliates	29,624,460	53,026,502	5,012,668	970,154	4,832,335	1,467,403	2,233,398	285,622	2,550,000	11,865	80,170	(92,165,964)	7,928,613
Security deposits	271,186	3,211	-	-	6,728	282,227	26,164	-	-	-	-	-	589,516
Accrued interest payable - mortgages and notes	-	-	-	-	141,090	-	-	-	-	-	-	-	141,090
Deferred revenue	805,066	182,883	1,731,035	-	79,718	57,125	-	-	-	-	-	-	2,855,827
Project grant advances	8,392,059	-	3,493,943	-	575,282	-	-	-	-	-	-	-	12,461,284
Mortgages and notes payable	36,632,961	-	-	-	11,846,545	-	-	-	-	-	-	-	48,479,506
Total liabilities	78,486,858	58,359,237	10,553,456	1,019,315	18,123,783	1,813,657	2,259,562	285,622	2,550,100	12,065	3,775,992	(92,165,964)	85,073,683
Net Assets (Deficit)													
Unrestricted	71,891,753	(40,332,855)	29,369,216	(22,730)	(2,471,336)	9,516,135	(630,267)	(285,572)	(2,465,366)	341,555	7,488,724	-	72,399,257
Temporarily restricted	9,499,099	-	-	-	-	-	-	-	-	-	-	-	9,499,099
Total net assets (deficit)	81,390,852	(40,332,855)	29,369,216	(22,730)	(2,471,336)	9,516,135	(630,267)	(285,572)	(2,465,366)	341,555	7,488,724	-	81,898,356
Total liabilities and net assets (deficit)	\$ 159,877,710	\$ 18,026,382	\$ 39,922,672	\$ 996,585	\$ 15,652,447	\$ 11,329,792	\$ 1,629,295	\$ 50	\$ 84,734	\$ 353,620	\$ 11,264,716	\$ (92,165,964)	\$ 166,972,039

See independent auditor's report.

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

Consolidating Statement of Activities - Not-for-Profit Entities

Year ended December 31, 2013

	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. Marks Brownsville H.D.F.C., Inc.	General Partners	Not-for-Profit Entities Eliminations	Total Not-for-Profit Entities
Revenues and support													
Contributions	\$ 3,067,197	\$ 10,000	\$ 5,000	\$ -	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,117,197
Government grants and contracts	12,171,836	2,577,914	1,968,312	308,812	2,886,935	-	-	-	-	-	-	-	19,913,809
Management and partnership fees	-	1,995,576	-	-	-	-	-	-	-	-	209,375	(563,370)	1,641,581
Development fees	-	-	735,137	-	-	-	-	-	-	-	-	-	735,137
Rental income	9,011,720	80,915	-	-	58,204	700,756	-	-	-	-	-	(481,129)	9,370,466
Investment income	534,121	-	93,058	-	-	1,039	-	-	-	-	-	-	628,218
Other income (loss)	774,521	520,736	(436,218)	4,506	268,711	1,442	(424)	-	-	-	(376)	-	1,132,898
Total revenues and support	25,559,395	5,185,141	2,365,289	313,318	3,248,850	703,237	(424)	-	-	-	208,999	(1,044,499)	36,539,306
Expenses													
Program services													
Social services	13,572,088	3,126,510	2,075,644	310,641	3,382,045	129	-	-	10	-	-	-	22,467,067
Housing management and development	882	1,812,048	-	-	-	-	-	-	-	-	-	-	1,812,930
Affordable housing operations	6,029,093	-	-	-	-	-	-	-	-	-	-	(1,044,499)	4,984,594
Total program services	19,602,063	4,938,558	2,075,644	310,641	3,382,045	129	-	-	10	-	-	(1,044,499)	29,264,591
Supporting services													
General and administrative	211,295	4,607,961	513,696	226	-	556,586	5,689	-	-	-	14,195	-	5,909,648
Fundraising	177,404	598,412	-	-	-	-	-	-	-	-	-	-	775,816
Depreciation and amortization	1,677,405	188,164	-	-	562,156	233,060	-	-	-	-	-	-	2,660,785
Interest and service fees	470,891	93,659	-	-	35,672	6,317	-	-	-	-	-	-	606,539
Total supporting services	2,536,995	5,488,196	513,696	226	597,828	795,963	5,689	-	-	-	14,195	-	9,952,788
Total expenses	22,139,058	10,426,754	2,589,340	310,867	3,979,873	796,092	5,689	-	10	-	14,195	(1,044,499)	39,217,379
Change in net assets before other nonrecurring items	3,420,337	(5,241,613)	(224,051)	2,451	(731,023)	(92,855)	(6,113)	-	(10)	-	194,804	-	(2,678,073)
Transfer of ownership of Prince George Associates, L.P. to CGC II	-	-	-	-	-	-	-	-	-	-	4,478,298	-	4,478,298
Gain on forgiveness of project grant advance	-	-	330,000	-	-	-	-	-	-	-	-	-	330,000
Change in net assets	3,420,337	(5,241,613)	105,949	2,451	(731,023)	(92,855)	(6,113)	-	(10)	-	4,673,102	-	2,130,225
Net assets (deficit), beginning 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
Net assets (deficit), end of year	<u>\$ 81,390,852</u>	<u>\$ (40,332,855)</u>	<u>\$ 29,369,216</u>	<u>\$ (22,730)</u>	<u>\$ (2,471,336)</u>	<u>\$ 9,516,135</u>	<u>\$ (630,267)</u>	<u>\$ (285,572)</u>	<u>\$ (2,465,366)</u>	<u>\$ 341,555</u>	<u>\$ 7,488,724</u>	<u>\$ -</u>	<u>\$ 81,898,356</u>

See independent auditor's report.

Common Ground Community H.D.F.C., Inc. and Affiliates
Consolidating Statement of Financial Position - Housing Entities
December 31, 2013

	Prince George Associates, L.P.	Chelsea Residence Limited Partnership	Schermerhorn L.P.	Pitt Street L.P.	Brook Avenue Housing L.P.	St. Marks Brownsville L.P.	410 Asylum Street, LLC	410 Asylum Street Historic LLC	Hegeman Avenue Housing L.P.	Common Ground Cedarwoods Housing LLC	1630 Dewey Avenue LLC	Boston Road Housing L.P.	Housing Entities Eliminations	Total Housing Entities
Assets														
Cash	\$ 67,587	\$ 11,864	\$ 59,173	\$ 50,805	\$ 46,340	\$ 43,699	\$ 734,610	\$ 279,842	\$ 35,063	\$ 9,978	\$ 161,203	\$ 99,811	\$ -	\$ 1,599,975
Accounts receivable, net	498,424	130,655	161,307	323,144	234,926	100,065	-	8,488	271,763	171	24,539	528,362	-	2,281,844
Advances due from affiliates	2,859,287	981,359	1,327,416	544,236	747,066	78,824	-	1,662,276	376,294	522,146	-	497,666	(1,668,257)	7,928,313
Other assets, net	63,049	137,989	288,913	556,469	183,713	140,907	191,823	1,684,420	389,202	154,891	103,792	781,035	(1,740,728)	2,935,475
Tenant security deposits	135,870	59,489	106,100	84,893	64,773	14,466	-	55,421	38,561	39,238	39,199	-	-	638,010
Lender restricted cash and contractual reserves														
Lender restricted cash	-	-	-	-	-	-	-	-	-	-	-	1,629,773	-	1,629,773
Contractual reserves	756,194	1,286,360	781,238	2,211,873	122,708	238,237	1,680,980	-	345,533	106,498	371,802	-	-	7,901,423
Total lender restricted cash and contractual reserves	756,194	1,286,360	781,238	2,211,873	122,708	238,237	1,680,980	-	345,533	106,498	371,802	1,629,773	-	9,531,196
Property and equipment														
Construction-in-progress	-	112,839	-	-	-	-	-	-	-	-	18,293	8,300,845	-	8,431,977
Property and equipment, net	31,170,457	21,812,150	50,870,031	52,059,724	35,221,279	22,878,217	19,381,073	11,157	39,506,692	12,698,355	14,642,294	3,650,000	-	303,901,429
Total property and equipment	31,170,457	21,924,989	50,870,031	52,059,724	35,221,279	22,878,217	19,381,073	11,157	39,506,692	12,698,355	14,660,587	11,950,845	-	312,333,406
Total assets	<u>\$ 35,550,868</u>	<u>\$ 24,532,705</u>	<u>\$ 53,594,178</u>	<u>\$ 55,831,144</u>	<u>\$ 36,620,805</u>	<u>\$ 23,494,415</u>	<u>\$ 21,988,486</u>	<u>\$ 3,701,604</u>	<u>\$ 40,963,108</u>	<u>\$ 13,531,277</u>	<u>\$ 15,361,122</u>	<u>\$ 15,487,492</u>	<u>\$ (3,408,985)</u>	<u>\$ 337,248,219</u>
Liabilities and Partners' Equity (Deficit)														
Accounts payable and accruals	\$ 713,288	\$ 127,008	\$ 182,711	\$ 99,377	\$ 310,105	\$ 153,821	\$ 75,567	\$ 114,296	\$ 244,463	\$ 72,640	\$ 90,618	\$ -	\$ (66,597)	\$ 2,117,297
Prepaid rent	23,264	6,009	29,105	12,541	6,229	5,404	1,674,131	1,730	7,528	2,227	513	-	(1,674,131)	94,550
Construction payable	169,813	445,586	-	89,179	-	1,330,586	-	-	124,714	-	337,428	1,240,302	-	3,737,608
Due to affiliates	3,518,941	1,582,960	2,148,861	2,880	1,657	2,128,567	4,771,662	211,559	10,332	1,259,145	135,621	741,836	(1,668,257)	14,845,764
Security deposits	135,845	58,616	107,281	82,141	66,256	13,481	-	54,061	39,578	37,390	39,199	-	-	633,848
Accrued interest payable - mortgages and notes	2,524,654	676,960	1,074,350	928,120	750,806	78,140	134,633	-	245,831	-	82,703	-	-	6,496,197
Accrued interest payable - affiliate notes	-	-	-	290,493	-	2,122,964	-	-	90,664	1,955	-	-	-	2,506,076
Development fee payable	-	62,420	4,266,436	6,850,000	1,684,392	1,020,000	-	-	3,052,063	795,577	1,422,283	-	-	19,153,171
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	495,975	1,173,943	-	-	30,494,408
Mortgages and notes payable	16,606,976	21,728,723	26,461,734	31,190,758	21,100,000	2,553,300	12,365,358	-	24,340,763	9,131,488	5,630,153	10,562,957	-	181,672,210
Total liabilities	32,272,475	25,688,282	34,979,318	41,554,484	25,456,945	19,045,970	19,721,105	381,646	32,805,936	11,796,397	8,912,461	12,545,095	(3,408,985)	261,751,129
Partners' Equity (Deficit)														
Controlling interest	3,278,393	(740)	(882)	(499)	(581)	505	1,274,570	(10)	(197)	(91)	(111)	-	-	4,550,357
Noncontrolling interest	-	(1,154,837)	18,615,742	14,277,159	11,164,441	4,447,940	992,811	3,319,968	8,157,369	1,734,971	6,448,772	2,942,397	-	70,946,733
Total partners' equity (deficit)	3,278,393	(1,155,577)	18,614,860	14,276,660	11,163,860	4,448,445	2,267,381	3,319,958	8,157,172	1,734,880	6,448,661	2,942,397	-	75,497,090
Total liabilities and partners' equity (deficit)	<u>\$ 35,550,868</u>	<u>\$ 24,532,705</u>	<u>\$ 53,594,178</u>	<u>\$ 55,831,144</u>	<u>\$ 36,620,805</u>	<u>\$ 23,494,415</u>	<u>\$ 21,988,486</u>	<u>\$ 3,701,604</u>	<u>\$ 40,963,108</u>	<u>\$ 13,531,277</u>	<u>\$ 15,361,122</u>	<u>\$ 15,487,492</u>	<u>\$ (3,408,985)</u>	<u>\$ 337,248,219</u>

See independent auditor's report.

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

Consolidating Statement of Activities - Housing Entities

Year ended December 31, 2013

	Prince George Associates, L.P.	Chelsea Residence Limited Partnership	Schermerhorn L.P.	Pitt Street L.P.	Brook Avenue Housing L.P.	St. Marks Brownsville L.P.	410 Asylum Street, LLC	410 Asylum Street Historic LLC	Hegeman Avenue Housing L.P.	Common Ground Cedarwoods Housing LLC	1630 Dewey Avenue LLC	Boston Road Housing L.P.	Housing Entities Eliminations	Total Housing Entities
Revenues and support														
Rental income	\$ 4,073,720	\$ 2,033,281	\$ 2,180,281	\$ 2,628,206	\$ 1,911,671	\$ 744,917	\$ 391,499	\$ 902,623	\$ 1,948,983	\$ 417,326	\$ 564,979	\$ -	\$ (391,499)	\$ 17,405,987
Investment income	1,383	805	-	-	-	33	3,101	-	569	-	219	-	-	6,110
Other income	246,953	71,129	138,711	102,304	56,311	192,532	12,301	60,058	53,866	37,720	13,328	-	-	985,213
Total revenues and support	4,322,056	2,105,215	2,318,992	2,730,510	1,967,982	937,482	406,901	962,681	2,003,418	455,046	578,526	-	(391,499)	18,397,310
Expenses														
Program services														
Affordable housing operations	3,669,657	2,035,939	2,322,803	2,320,320	1,886,863	1,048,551	114,411	954,241	1,571,672	484,416	533,977	-	(391,499)	16,551,351
Total program services	3,669,657	2,035,939	2,322,803	2,320,320	1,886,863	1,048,551	114,411	954,241	1,571,672	484,416	533,977	-	(391,499)	16,551,351
Supporting services														
Depreciation and amortization	1,126,914	629,823	1,621,964	1,599,487	1,188,245	791,257	722,876	3,950	1,106,793	405,855	470,521	-	-	9,667,685
Interest and service fees	193,838	71,081	265,591	402,628	211,000	507,324	240,709	-	232,818	6,122	141,098	-	-	2,272,209
Total supporting services	1,320,752	700,904	1,887,555	2,002,115	1,399,245	1,298,581	963,585	3,950	1,339,611	411,977	611,619	-	-	11,939,894
Total expenses	4,990,409	2,736,843	4,210,358	4,322,435	3,286,108	2,347,132	1,077,996	958,191	2,911,283	896,393	1,145,596	-	(391,499)	28,491,245
Net income (loss)	<u>\$ (668,353)</u>	<u>\$ (631,628)</u>	<u>\$ (1,891,366)</u>	<u>\$ (1,591,925)</u>	<u>\$ (1,318,126)</u>	<u>\$ (1,409,650)</u>	<u>\$ (671,095)</u>	<u>\$ 4,490</u>	<u>\$ (907,865)</u>	<u>\$ (441,347)</u>	<u>\$ (567,070)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,093,935)</u>

See independent auditor's report.