

Consolidated Financial Statements and
Supplementary Information Together with
Report of Independent Certified Public Accountants

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

For the year ended December 31, 2014

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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 (collectively, “Common Ground”), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities, changes in net assets and cash flows for the year then ended, 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 did not audit the financial statements of 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 and 1630 Dewey Avenue LLC (collectively, the “Controlled Housing Entities”), which statements reflect total assets constituting \$314,892,503, or 68% of consolidated total assets as of December 31, 2014, and total revenues of \$18,809,968, or 32% of consolidated total revenues for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Controlled Housing Entities, is based solely on the reports of the other auditors. 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 Common Ground’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 Common Ground'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, based on our audit and the reports of the other auditors, 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, 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position Information - Not-for-Profit Entities, Consolidating Schedule of Activities Information - Not-for-Profit Entities, Consolidating Schedule of Financial Position Information - Housing Entities and Consolidating Schedule of Activities Information - Housing Entities as of and for the year ended December 31, 2014 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
July 1, 2015

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Consolidated Statement of Financial Position
As of December 31, 2014

	<u>Not-for-Profit Entities</u>	<u>Housing Entities</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Cash	\$ 4,792,316	\$ 2,506,592	\$ -	\$ 7,298,908
Accounts receivable, net	18,783,923	2,381,635	(889,859)	20,275,699
Advances due from affiliates	16,065,251	8,160,280	(24,225,531)	-
Other assets, net	2,024,281	2,148,339	-	4,172,620
Tenant security deposits	479,467	627,757	-	1,107,224
Development fees receivable	20,078,651	-	(8,696,879)	11,381,772
Accrued interest receivable - affiliate notes	3,118,567	-	(3,118,567)	-
Affiliate notes receivable	30,494,408	-	(30,494,408)	-
Investment in housing entities	6,228,013	-	(6,228,013)	-
Lender restricted cash and contractual reserves:				
Lender restricted cash	3,370,534	2,528,697	-	5,899,231
Contractual reserves	<u>13,272,658</u>	<u>7,569,885</u>	<u>-</u>	<u>20,842,543</u>
Total lender restricted cash and contractual reserves	<u>16,643,192</u>	<u>10,098,582</u>	<u>-</u>	<u>26,741,774</u>
Property and equipment:				
Construction-in-progress	3,785,515	34,233,501	-	38,019,016
Property and equipment, net	<u>63,010,238</u>	<u>296,644,761</u>	<u>(7,537,596)</u>	<u>352,117,403</u>
Total property and equipment	<u>66,795,753</u>	<u>330,878,262</u>	<u>(7,537,596)</u>	<u>390,136,419</u>
Total assets	<u>\$ 185,503,822</u>	<u>\$ 356,801,447</u>	<u>\$ (81,190,853)</u>	<u>\$ 461,114,416</u>

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

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Consolidated Statement of Financial Position (continued)
As of December 31, 2014

	<u>Not-for-Profit Entities</u>	<u>Housing Entities</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 11,383,167	\$ 2,611,030	\$ (3,334,880)	\$ 10,659,317
Construction payable	-	6,656,684	-	6,656,684
Advances due to affiliates	8,160,280	16,065,251	(24,225,531)	-
Security deposits	602,421	617,770	-	1,220,191
Accrued interest payable - mortgages and notes	546,246	7,838,914	-	8,385,160
Accrued interest payable - affiliate notes	-	3,118,567	(3,118,567)	-
Deferred revenue	4,010,083	-	(725,000)	3,285,083
Project grant advances	11,879,530	-	-	11,879,530
Development fees payable	-	20,826,696	(8,696,879)	12,129,817
Affiliate notes payable	-	30,494,408	(30,494,408)	-
Mortgages and notes payable	<u>66,332,513</u>	<u>202,261,644</u>	<u>-</u>	<u>268,594,157</u>
Total liabilities	<u>102,914,240</u>	<u>290,490,964</u>	<u>(70,595,265)</u>	<u>322,809,939</u>
Commitments and contingencies				
NET ASSETS				
Unrestricted				
Controlling interest	73,510,345	3,530,301	(10,595,588)	66,445,058
Noncontrolling interest	-	62,780,182	-	62,780,182
Temporarily restricted	<u>9,079,237</u>	<u>-</u>	<u>-</u>	<u>9,079,237</u>
Total net assets	<u>82,589,582</u>	<u>66,310,483</u>	<u>(10,595,588)</u>	<u>138,304,477</u>
Total liabilities and net assets	<u>\$ 185,503,822</u>	<u>\$ 356,801,447</u>	<u>\$ (81,190,853)</u>	<u>\$ 461,114,416</u>

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

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Consolidated Statement of Activities
For the year ended December 31, 2014

	<u>Not-for-Profit Entities</u>	<u>Housing Entities</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
UNRESTRICTED NET ASSETS				
Unrestricted revenues and support:				
Contributions	\$ 1,815,282	\$ -	\$ -	\$ 1,815,282
Government grants and contracts	19,863,068	-	-	19,863,068
Management and partnership fees	1,616,072	-	(1,420,854)	195,218
Development fees	3,920,260	-	1,064,188	4,984,448
Rental income	9,585,523	17,651,142	(1,080,379)	26,156,286
Other income	1,924,555	1,158,826	304,981	3,388,362
Net assets released from restrictions	<u>1,555,582</u>	<u>-</u>	<u>-</u>	<u>1,555,582</u>
Total revenues and support	<u>40,280,342</u>	<u>18,809,968</u>	<u>(1,132,064)</u>	<u>57,958,246</u>
Expenses:				
Social services	22,351,764	-	(176,225)	22,175,539
Housing management and development	1,611,486	-	-	1,611,486
Affordable housing operations	5,384,440	17,528,073	(2,427,730)	20,484,783
General and administrative	6,330,173	-	-	6,330,173
Fundraising	783,447	-	-	783,447
Depreciation and amortization	2,476,908	9,603,660	(215,397)	11,865,171
Interest and service fees	<u>561,036</u>	<u>2,330,543</u>	<u>(612,491)</u>	<u>2,279,088</u>
Total expenses	<u>39,499,254</u>	<u>29,462,276</u>	<u>(3,431,843)</u>	<u>65,529,687</u>
Change in net assets before other non-recurring item	781,088	(10,652,308)	2,299,779	(7,571,441)
Other non-recurring item:				
Gain on forgiveness of project grant advance	<u>330,000</u>	<u>-</u>	<u>-</u>	<u>330,000</u>
Increase (decrease) in unrestricted net assets	<u>1,111,088</u>	<u>(10,652,308)</u>	<u>2,299,779</u>	<u>(7,241,441)</u>
TEMPORARILY RESTRICTED NET ASSETS				
Temporarily restricted revenues and support:				
Contributions	1,135,720	-	-	1,135,720
Net assets released from restrictions	<u>(1,555,582)</u>	<u>-</u>	<u>-</u>	<u>(1,555,582)</u>
Decrease in temporarily restricted net assets	<u>(419,862)</u>	<u>-</u>	<u>-</u>	<u>(419,862)</u>
Change in net assets	691,226	(10,652,308)	2,299,779	(7,661,303)
Excess of expenses over revenues and support attributable to noncontrolling interests	<u>-</u>	<u>9,632,251</u>	<u>-</u>	<u>9,632,251</u>
Excess (deficiency) of revenues and support over expenses attributable to Common Ground	<u>\$ 691,226</u>	<u>\$ (1,020,057)</u>	<u>\$ 2,299,779</u>	<u>\$ 1,970,948</u>

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

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Consolidated Statement of Changes in Net Assets
For the year ended December 31, 2014

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Consolidated Total
	Controlling	Noncontrolling	Total		
Beginning balance, January 1, 2014	\$ 64,054,248	\$ 70,946,733	\$ 135,000,981	\$ 9,499,099	\$ 144,500,080
Contributions from investors	-	1,465,700	1,465,700	-	1,465,700
Excess of expenses over revenue and support attributable to noncontrolling interests	-	(9,632,251)	(9,632,251)	-	(9,632,251)
Excess (deficiency) of revenues and support over expenses attributable to Common Ground	<u>2,390,810</u>	<u>-</u>	<u>2,390,810</u>	<u>(419,862)</u>	<u>1,970,948</u>
Ending balance, December 31, 2014	<u>\$ 66,445,058</u>	<u>\$ 62,780,182</u>	<u>\$ 129,225,240</u>	<u>\$ 9,079,237</u>	<u>\$ 138,304,477</u>

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

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Consolidated Statement of Cash Flows
For the year ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (7,661,303)
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation and amortization	11,865,171
Gain on forgiveness of project grant advance	(330,000)
(Increase) decrease in operating assets:	
Accounts receivable	(3,639,813)
Other assets	59,770
Tenant security deposits	29,121
Development fees receivable	(2,737,711)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(478,890)
Security deposits	(3,173)
Accrued interest payable - mortgages and notes	1,747,873
Deferred revenue	1,154,256
Development fees payable	2,737,713
Project grant advances	<u>(251,754)</u>
Net cash provided by operating activities	<u>2,491,260</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Withdrawals of contractual reserves	2,917,904
Withdrawals of lender restricted cash	2,716,594
Deposits to contractual reserves	(4,236,513)
Deposits to lender restricted cash	(4,341,877)
Payments on construction payable	(567,655)
Capital expenditures	<u>(39,430,236)</u>
Net cash used in investing activities	<u>(42,941,783)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Capital contributions received from investors	1,465,700
Proceeds from loans	41,554,554
Repayments of loans	<u>(3,112,113)</u>
Net cash provided by financing activities	<u>39,908,141</u>

Net decrease in cash	(542,382)
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Cash, beginning of year	<u>7,841,290</u>
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Cash, end of year	<u><u>\$ 7,298,908</u></u>
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Supplemental disclosure of information:

Cash paid for interest	\$ 184,845
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Supplemental schedule of non-cash investing and financing activities:

HUD mortgage issued in connection with co-sponsorship agreement	\$ 4,272,074
Construction payable capitalized to rental property	\$ 3,358,665

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

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

Notes to Consolidated Financial Statements

December 31, 2014

1. DESCRIPTION OF ORGANIZATION AND MISSION

Common Ground Community H.D.F.C., Inc. and Affiliates (collectively, “Common Ground”) have a shared mission 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 network of well-designed, safe, and affordable apartments are linked to services that enable their tenants to maintain housing, restore their health, and regain their economic independence.

For chronically homeless individuals, Common Ground creates safe, secure housing, with onsite support services to help address the mental and physical health problems that are obstacles to their independent living. For those who find themselves at the edge of homelessness, Common Ground’s affordable housing provides an all-important safety net with the onsite support services that can aid them in maintaining stability in their lives. 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 thousands of affordable permanent and transitional housing units within the northeastern United States. It operates permanent and transitional housing congregate residences, as well as, scatter-site units in four New York City boroughs, a transitional residence for homeless veterans in Westchester County, New York, and low-income housing in Hartford, Connecticut, Willimantic, Connecticut and Rochester, New York. Common Ground also manages the innovative Street to Home outreach program to connect the most entrenched, long-term homeless living outdoors with housing and other critical supportive services.

Common Ground is affiliated with and under common board control of 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 consolidated within the accompanying financial statements of Common Ground in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

All Housing Development Fund Corporation (“H.D.F.C.”) entities of Common Ground were organized 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 State of New York.

The following summarizes the entities comprising Common Ground:

Common Ground Community H.D.F.C., Inc. (“CGC”) was organized on October 11, 1990, and 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 approximately \$16,080,000, as well as, the resulting liquidation of the limited partnership. Ownership of the T.S. Hotel now resides with 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 H.D.F.C., INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2014

Common Ground Community II H.D.F.C., Inc. (“CGC II”) was organized on January 26, 1995, and 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 was accounted for at historical cost, similar to an acquisition of noncontrolling interest. As a result, the balance of the investor limited partner’s capital account at October 1, 2013 was 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 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, and 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, and 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 commercial leases terminated on December 31, 2011.

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

Notes to Consolidated Financial Statements

December 31, 2014

On March 27, 2015, CGVC received consent to dissolve the corporation from the New York State Department of Taxation and Finance.

Common Ground Jobs Training Corp. (“CGJTC”), 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 held the apartment leases related to Common Ground’s scatter-site housing activities. All leases of CGRC were reassigned to CGM on November 10, 2014.

Schermerhorn House H.D.F.C., Inc. (“Schermerhorn”) was organized on April 26, 2005, and is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the IRC. Schermerhorn was formed to develop a 217-unit apartment building in Brooklyn, New York for supportive housing designed to house formerly homeless and low-income single adults. The members of Schermerhorn are CGC (51%) and the Actors Fund of America (49%). Schermerhorn is the sole shareholder of Schermerhorn Housing Corp., the GP of Schermerhorn L.P.

St. Marks Brownsville H.D.F.C., Inc. (the “Domenech”) was organized on May 23, 2006, and is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the IRC. The Domenech was formed to develop a 70-unit apartment building in Brooklyn, New York 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.

Webster Avenue H.D.F.C., Inc. (the “Park House”) was organized on December 26, 2013, and was formed to develop a 248-unit apartment building in Bronx, New York, to house low-income households. Construction on the Park House started in 2015. Webster Avenue Affordable Managing Member LLC is the managing member of Webster Avenue Affordable LLC.

Webster Avenue Supportive H.D.F.C., Inc. (the “Webster Residence”) was organized on November 28, 2014, and was formed to develop a 171-unit apartment building in Bronx, New York, to house low-income households. Construction on the Webster Residence is expected to start in 2015. CG-Webster Avenue Supportive Housing Corporation is the managing member of Webster Avenue Supportive LLC.

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2014

Common Ground is the sole owner or controlling member of each General Partner (“GP”) listed below, which owns 0.01% of their associated LPs and LLCs, except for Prince George G.P. Corporation in which Common Ground owns 100% of the associated LP (Note 2). These entities (the “Housing Entities”) were formed to own individual properties that are developed and managed to provide low-income housing. The Housing Entities are comprised as follows:

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.
Webster Avenue Affordable LLC	Webster Avenue Affordable Managing Member LLC
Webster Avenue Supportive LLC	CG-Webster Avenue Supportive Housing Corporation

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared under the accrual basis of accounting in accordance with US GAAP and include the accounts of the entities listed in Note 1 as follows:

Not-for-Profit Entities - The accompanying consolidated financial statements include the accounts of CGC, CGC II, CGC III, CGC IV, CGVC, CGJTC, CGM, CGRC, Schermerhorn, the Domenech, the Park House and the Webster Residence (collectively known as the “Not-for-Profit Entities”). All intercompany transactions and accounts between the 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 accompanying consolidated financial statements. The GP 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 except for Prince George G.P. Corporation in which Common Ground owns 100% of the associated LP. The portion of the Housing Entities not controlled by Common Ground or its affiliated entities is presented in the accompanying consolidated financial statements as noncontrolling interest. All intercompany transactions and accounts between the Housing Entities have been eliminated in consolidation.

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All intercompany transactions and accounts between the Not-for-Profit Entities and the Housing Entities have also been eliminated in consolidation.

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 - net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Common Ground.

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 accompanying consolidated financial statements.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met by actions of Common Ground and/or the passage of time.

Permanently restricted net assets - net assets which include funds whereby the donors have stipulated that the principal contributed be invested and maintained in perpetuity. Income earned from these investments is available for expenditures according to restrictions, if any, imposed by donors. Common Ground had no permanently restricted net assets as of December 31, 2014.

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. Gifts whose donor-stipulated purposes are met in the same year as received are reported as unrestricted revenue.

Cash

Cash consists of cash on deposit with banks. 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. Common Ground has not experienced, nor does it anticipate, any losses in such accounts.

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 and treasury bills.

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 reputable 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.

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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 credit-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 allowable costs are incurred.

Development fees are recognized as revenue in the year earned based on the percentage of completion method. The unearned portion is classified as deferred revenue in the accompanying consolidated statement 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.

Rental income including rent from the operation of low-income housing projects and tenants is recognized as earned. Minimum rental revenue is recognized on a straight-line basis over the term of the lease, regardless of when payments are due. Advance receipts of rental income are deferred and classified as accounts payable and accrued expenses in the accompanying consolidated statement of financial position. All leases between the properties and tenants are considered to be operating leases.

During the year ended December 31, 2012, 1630 Dewey Avenue Managing Member Inc., a wholly-owned affiliate of Common Ground and the GP of 1630 Dewey Avenue LLC, earned a New York State Brownfield redevelopment tax credit ("incentive income") totaling \$3,695,452, and is included in accounts receivable, net in the accompanying consolidated statement of financial position as of December 31, 2014. Of this amount, \$2,589,780 was received in 2015, with the remaining incentive income to be collected over a period of three years ending December 31, 2017. Applicable federal income taxes totaling \$1,250,300 have been accrued and are included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position as of December 31, 2014. In accordance with the partnership agreement, the total incentive income, less the applicable federal income taxes, will be invested in 1630 Dewey Avenue LLC.

Development Fees Receivable

Development fees receivable in the accompanying consolidated statement of financial position represents development fees for construction development. Development fees receivable from Housing Entities that is payable from the operational cash flow of the respective projects is eliminated in consolidation. Any remaining development fees receivable shall be paid by the related Housing Entities upon receipt of the limited partner/member equity contribution. The development fees receivable balance as of December 31, 2014 totaled \$11,381,772.

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Allowance for Uncollectible Accounts

The carrying value of accounts and development fees receivable is reduced by an appropriate allowance, if needed, for uncollectible accounts. Common Ground determines its allowance by considering a number of factors, including the length of time receivables are past due, Common Ground's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Receivables outstanding longer than the payment terms are considered past due. Common Ground writes off accounts and development fee receivables when they become uncollectible, and payments subsequently received on such receivables are recorded as income in the period received. The allowance for doubtful accounts balance as of December 31, 2014 totaled \$197,007.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, contractual reserves, lender restricted cash, tenant security deposits, accounts payable and accrued expenses and other liabilities approximate fair value due to the short-term nature of these instruments.

Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Common Ground groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

Property and Equipment, net

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 of three years or greater are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and

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betterments are capitalized. Depreciation is calculated 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	Lesser of useful life or lease term
Furniture and equipment	3-7 years

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. 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

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, 2014.

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. As such, Common Ground recognizes rent expense on a straight-line basis over the remaining life of the lease, inclusive of the rent abatements and landlord contributions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in 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.

Income Taxes

Common Ground follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

Common Ground is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Common Ground has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and

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report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ended December 31, 2011, 2012, 2013 and 2014 are still open to audit for both federal and state purposes. Common Ground has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

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 previously disclosed 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.

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, as of December 31, 2014, consists of the following:

Notes receivable	\$ 8,014,952
Government grants and contracts	4,277,821
New York State Brownfield redevelopment tax credit	3,695,452
Housing entity receivables	2,388,437
Contributions receivable	606,502
Tenant accounts receivables	468,965
Other	<u>1,020,577</u>
Accounts receivable, gross	20,472,706
Less: Allowance for doubtful accounts	<u>(197,007)</u>
Accounts receivable, net	<u>\$ 20,275,699</u>

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4. 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, 2014, consist of the following:

Cash and cash equivalents	\$ 9,896,948
Certificate of deposit	1,800,000
Treasury bills	<u>15,044,826</u>
Total	<u>\$ 26,741,774</u>

Common Ground's lender restricted cash and contractual reserves classified within the fair value hierarchy as of December 31, 2014, consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 9,896,948	\$ -	\$ 9,896,948
Certificate of deposit	-	1,800,000	1,800,000
Treasury bills	<u>-</u>	<u>15,044,826</u>	<u>15,044,826</u>
Total	<u>\$ 9,896,948</u>	<u>\$ 16,844,826</u>	<u>\$ 26,741,774</u>

Common Ground did not have any lender restricted cash or contractual reserves classified as Level 3 as of December 31, 2014.

Interest income for the year ended December 31, 2014, totaled \$15,922 and is recorded as other income within the consolidated statement of activities. Contractual reserve fees for the year ended December 31, 2014, totaled \$60,608.

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5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, as of December 31, 2014, consists of the following:

Buildings and improvements	\$ 381,122,120
Leasehold improvements	5,035,646
Furniture and equipment	16,076,950
Land	41,711,830
Construction-in-progress	<u>38,019,016</u>
	481,965,562
Less: Accumulated depreciation	<u>(91,829,143)</u>
	<u>\$ 390,136,419</u>

Depreciation and amortization expense totaled \$11,865,171 for the year ended December 31, 2014. Ongoing construction-in-progress projects relating to Boston Road and the Park House are expected to be completed in 2015 and 2017, respectively, with approximately \$15,600,000 and \$86,500,000 of additional expenditures expected to be incurred, respectively.

6. 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 in the accompanying consolidated statement of financial position as of December 31, 2014 and consist of the following:

	<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Federal Home Loan Bank for:			
CGC - St. Marks Brownsville L.P.	\$ 1,080,000	11/26/2023	0 %
CGC - Schermerhorn L.P.	675,000	12/29/2035	0 %
CGC - Brook Avenue Housing L.P.	1,500,000	9/16/2025	0 %
CGC - Hegeman Avenue Housing L.P.	1,650,000	6/9/2025	0 %
CGC - Chelsea Residence Limited Partnership	1,000,000	1/16/2033	0 %
CGC II - 1630 Dewey Avenue LLC	299,990	9/30/2025	0 %
CGC II - Pitt Street L.P.	1,000,000	12/28/2021	1 %
CGC IV - Andrews	500,000	4/17/2024	0 %
CGC - Neighborhood Stabilization Program	2,310,587	6/9/2027	0 %
CGC II - New York State Office of Mental Health	990,000	1/31/2018	0 %
CGC II - HOME Investment Partnership Program	573,953	8/31/2040	0 %
CGC II - HUD Continuum of Care	<u>300,000</u>	9/30/2040	0 %
Total project grant advances	<u>\$ 11,879,530</u>		

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7. MORTGAGES AND NOTES PAYABLE

The various debt obligations outstanding as presented in the accompanying consolidated statement of financial position as of December 31, 2014, consist of the following:

Entity	Lender	Amount Outstanding	Final Maturity Date	Interest Rate
CGC	Mizuho Corporate Bank (USA)	\$ 2,731,267	10/23/2015	LIBOR plus 1.5%
CGC	van Ameringen Foundation	1,000,000	8/1/2019	2%
CGC	Deutsche Bank Americas Foundation	25,000	7/31/2015	Non-interest bearing
CGC	JP Morgan Chase	1,949,000	9/30/2015	3.25%
CGC	US Department of Housing and Urban Development	8,014,951	12/1/2054	0%
CGC	Wells Fargo (EQ2)	600,000	12/26/2020	2%
T.S. Hotel LLC	NYC Department of HPD	17,859,751	5/15/2025	1%
T.S. Hotel LLC	NYC Department of HPD	10,990,354	7/1/2041	1%
CGC IV	NYC Department of HPD	2,770,232	1/5/2040	1%
CGC IV	NYS Homeless Housing Assistance Corporation	5,698,300	4/30/2034	1%
CGC IV	NYC Department of HPD (Reso A)	925,697	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
CGC II	Supportive Housing Solution Fund LLC	160,500	10/1/2016	6.50%
Webster Avenue H.D.F.C.	New York City Acquisition Fund LLC	11,026,462	2/1/2016	LIBOR plus 3.99%
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%

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Entity	Lender	Amount Outstanding	Final Maturity Date	Interest Rate
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%
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 of Economic and Comm Dev.	2,000,000	3/27/2038	1%
410 Asylum Street, LLC	City of Hartford, CT	327,234	8/1/2042	1%
410 Asylum Street, LLC	Connecticut Housing Finance Authority	3,940,911	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)	2,630,152	n/a	LIBOR plus 2.5%
Boston Road Housing L.P.	NYC Department of HPD	632,616	4/27/2016	0% until conversion date, 1% from conversion date to maturity date
Boston Road Housing L.P.	NYS Homeless Housing Assistance Corporation	3,275,822	6/26/2043	1%
Boston Road Housing L.P.	NYS Housing Finance Agency	22,814,000	7/1/2046	2%/Short-term portion, 4.5%/Long-term portion
Boston Road Housing L.P.	NYS Housing Finance Agency (Subsidy loan)	4,453,358	7/1/2046	6% until SONYMA Mortgage Insurance Policy obtained, then 1%
Total mortgages and notes payable		<u>\$ 268,594,157</u>		

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The following scheduled future principle payments as of December 31, 2014, are as follows:

Year Ending December 31,	<u>Amount</u>
2015	\$ 7,659,637
2016	12,069,649
2017	1,275,965
2018	1,276,903
2019	527,886
Thereafter	<u>245,784,117</u>
	<u>\$ 268,594,157</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. As of December 31, 2014, Common Ground was not in compliance with the reserve funding requirement associated with its loans from a lender relating to T.S. Hotel LLC. However, the lender granted Common Ground a deferral of its obligation to deposit the appropriate funding within the Project Operating Reserve Account to a date after December 31, 2015, which is to be agreed upon by the lender and Common Ground and formalized in documents acceptable to the lender. Common Ground was in compliance with all other financial and operating covenants at December 31, 2014.

Interest and service fees totaling \$2,279,088 were recorded and expensed for the year ended December 31, 2014.

8. 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, 2014, consists of the following:

NYC Department of Homeless Services	\$ 12,115,782
NYC HIV/AIDS Service Administration	2,891,526
NYS Department of Health and Mental Hygiene	2,172,091
US Department of Veteran Affairs	1,444,433
US Department of Housing and Urban Development	850,591
NYS Office of Temporary and Disability Assistance	297,600
CT Department of Mental Health and Addiction Services	<u>91,045</u>
	<u>\$ 19,863,068</u>

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9. 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 totaling \$328,297 for the year ended December 31, 2014.

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, separation 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, 2014, the total liability relating to this plan was \$39,014.

10. 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 \$2,553,302 for the year ended December 31, 2014. Estimated future minimum lease payments due under the terms of the leases are as follows:

Year Ending December 31,	<u>Amount</u>
2015	\$ 1,917,232
2016	940,207
2017	928,707
2018	927,605
2019	909,856
Thereafter	<u>3,834,992</u>
	<u>\$ 9,458,599</u>

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Common Ground entered into commercial leases and subleases with various commercial tenants under operating leases which expire at various dates through February 2024. Rental income totaled \$1,322,406 for the year ended December 31, 2014. Estimated future minimum receipts due under the terms of the leases are as follows:

Year Ending December 31,	<u>Amount</u>
2015	\$ 1,374,874
2016	1,268,232
2017	1,024,060
2018	1,071,803
2019	1,109,570
Thereafter	<u>3,893,333</u>
	<u>\$ 9,741,872</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, Boston Road Housing L.P. and Webster Avenue Affordable LLC.

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 LPs or LLCs. These obligations of Common Ground to the respective entities are limited by both time and amounts as follows:

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, 2014, the amount of such guarantee totaled \$512,199, expiring in 2018.

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, 2014, the amount of such guarantee totaled \$3,667,785, expiring in 2025.

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Schermerhorn L.P.:

Guarantee for tax credit compliance and operating deficits is limited to \$730,000. As of December 31, 2014, the amount of such guarantee totaled \$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, 2014, the amount of such guarantee totaled \$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. The guarantee expired on August 31, 2014. As of December 31, 2014, there were no guarantees associated with these affiliates.

St. Marks Brownsville L.P.:

Guarantee for 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, 2014 totaled \$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, 2014, no amounts were funded under this guarantee.

Common Ground Cedarwoods Management LLC has also guaranteed to lend Common Ground Cedarwoods Housing LLC an amount not to exceed \$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, 2014, no amounts were funded under this guarantee.

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.:

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

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

Notes to Consolidated Financial Statements

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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. As of December 31, 2014, there were no shortfalls that required funding.

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 JPMorgan 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.

Webster Avenue Affordable LLC:

In its capacity as developer of Webster Avenue Affordable LLC, Common Ground has guaranteed the completion of construction of the Park House residence project. In addition, Common Ground has provided a limited guarantee of the letter of credit Wells Fargo Bank issued for the project to enhance the credit rating of the tax-exempt bond offering by the New York City Housing Development Corporation (“HDC”), 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 2017.

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.

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

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2014

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 2015 is for the Fund's plan year beginning January 1, 2014 and ending December 31, 2014 (the "Plan Year"). The Fund was in safe status (green zone) in the Plan Year ending on December 31, 2014 because it was 80% funded. The zone status is based on information that 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. For the year ended December 31, 2014, Common Ground contributed approximately \$94,000 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.

Common Ground receives revenue from government grants, which are subject to audit by various federal and state agencies. The ultimate determination of amounts received under these grants generally is based upon allowable costs reported to and audited by the governments or their designees. The liabilities, if any, arising from such compliance audits cannot be determined at this time. In the opinion of management, adjustments resulting from such audits, if any, will not have a significant effect on the financial position, changes in net assets or cash flow of Common Ground.

11. ALLOCATION AND CLASSIFICATION OF CERTAIN EXPENSES

During the course of the year, Common Ground incurs expenses associated with fundraising activities such as publicizing and conducting fundraising campaigns, conducting special events and distributing fundraising materials, among others. Those costs have been summarized in the accompanying consolidated statement of activities. The following represents the operating expenses incurred specifically relating to fundraising for the year ended December 31, 2014:

	<u>Total</u>
Salaries	\$ 374,275
Payroll taxes and employee benefits	85,143
Gala	209,457
Professional fees and contract services	72,109
Information technology	14,119
Other	28,344
	<u>\$ 783,447</u>

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2014

For the year ended December 31, 2014, total depreciation and amortization and interest and service fees were allocated to the following functional categories:

	<u>Functional Expenses</u>	<u>Depreciation and Amortization</u>	<u>Interest and Service Fees</u>	<u>Total</u>
Social services	\$ 22,175,539	\$ 562,191	\$ 35,672	\$ 22,773,402
Housing management and development	1,611,486	-	87,609	1,699,095
Affordable housing operations	20,484,783	10,925,469	2,078,677	33,488,929
General and administrative	6,330,173	377,511	77,130	6,784,814
Fundraising	<u>783,447</u>	<u>-</u>	<u>-</u>	<u>783,447</u>
Total	<u>\$ 51,385,428</u>	<u>\$ 11,865,171</u>	<u>\$ 2,279,088</u>	<u>\$ 65,529,687</u>

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2014, consist of the following:

Housing Operations and Tenant Services	\$ 285,839
Street to Home Veterans' Initiative	37
HUD Capital Advance	8,529,707
Elderly Care Health Outreach	128,342
Boston Road Housing Development	<u>135,312</u>
	<u>\$ 9,079,237</u>

13. NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended December 31, 2014, temporarily restricted net assets that were released from restrictions in satisfaction of donor time or use restrictions were as follows:

	<u>2014</u>
Housing Operations and Tenant Services	\$ 985,090
Street to Home and Street to Home Veterans' Initiative	239,650
Elderly Care Health Outreach	<u>330,842</u>
	<u>\$ 1,555,582</u>

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Notes to Consolidated Financial Statements
December 31, 2014

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 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.

The accompanying consolidated statement of financial position includes the following balances between Common Ground and the related party noted above as of December 31, 2014:

Accounts receivable	\$	555,912
Accounts payable and accrued expenses	\$	422,288

The accompanying consolidated statement of activities includes the following balances between Common Ground and the related party noted above for the year ended December 31, 2014:

Government grants and contracts revenue	\$	1,374,680
Social service expenses	\$	1,666,853

15. SUBSEQUENT EVENTS

Common Ground evaluated its December 31, 2014 consolidated financial statements for subsequent events through July 1, 2015, the date the consolidated financial statements were available to be issued and determined that the following information was pertinent:

Webster Avenue Affordable LLC closed in escrow on the construction financing for the Park House, a new 248-unit affordable housing project located on a development site owned by Webster Avenue Supportive H.D.F.C., Inc., an affiliate, in the Tremont/Bathgate section of the Bronx. Funding for the Park House closing was completed on February 6, 2015, at which time the project made an \$8,040,000 principle payment on the acquisition loan provided by the New York City Acquisition Fund LLC. Common Ground intends to build the Webster Residence on the remaining parcel of the development site.

Other than the event described above, there were no additional subsequent events that management believes would require recognition or disclosure in the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Consolidating Schedule of Financial Position Information - Not-for-Profit Entities
As of December 31, 2014

	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 Venture Corp.	Common Ground of R.C. Corp.	Schermerhorn House H.D.F.C., Inc.	St. Marks Brownsville H.D.F.C., Inc.	Webster Avenue H.D.F.C., Inc.	General Partners	Not-for-Profit Entities Eliminations	Total Not-for-Profit Entities
ASSETS														
Cash	\$ 2,273,551	\$ 767,482	\$ 1,539,411	\$ 17,299	\$ 32,468	\$ 157,886	\$ -	\$ -	\$ -	\$ -	\$ 1,375	\$ 2,844	\$ -	\$ 4,792,316
Accounts receivable, net	11,852,479	1,612,106	519,047	83,424	531,970	24,342	-	-	-	-	-	4,160,555	-	18,783,923
Advances due from affiliates	79,222,837	14,601,549	14,521,053	998,477	2	6,032,192	1,598,339	50	90,168	353,500	-	351,657	(101,704,573)	16,065,251
Other assets, net	810,857	1,140,205	1,081	268	7,335	64,535	-	-	-	-	-	-	-	2,024,281
Tenant security deposits	202,235	-	-	-	-	277,232	-	-	-	-	-	-	-	479,467
Development fees receivable	6,872,795	-	13,143,436	-	-	62,420	-	-	-	-	-	-	-	20,078,651
Accrued interest receivable - affiliate notes	2,732,920	-	385,647	-	-	-	-	-	-	-	-	-	-	3,118,567
Affiliate notes receivable	17,464,708	771,094	10,278,912	-	-	1,979,694	-	-	-	-	-	-	-	30,494,408
Investment in housing entities	-	-	(668,646)	(16,001)	-	-	-	-	(5,833)	119	-	6,918,374	-	6,228,013
Lender restricted cash and contractual reserves:														
Lender restricted cash	2,400,000	-	-	-	970,534	-	-	-	-	-	-	-	-	3,370,534
Contractual reserves	8,363,867	-	2,163,661	-	961	2,744,169	-	-	-	-	-	-	-	13,272,658
Total lender restricted cash and contractual reserves	10,763,867	-	2,163,661	-	971,495	2,744,169	-	-	-	-	-	-	-	16,643,192
Property and equipment:														
Construction-in-progress	42,985	-	614,965	-	-	-	-	-	-	-	3,127,565	-	-	3,785,515
Property and equipment, net	38,941,491	582,052	-	-	13,666,581	570,114	-	-	-	-	9,250,000	-	-	63,010,238
Total property and equipment	38,984,476	582,052	614,965	-	13,666,581	570,114	-	-	-	-	12,377,565	-	-	66,795,753
Total assets	\$ 171,180,725	\$ 19,474,488	\$ 42,498,567	\$ 1,083,467	\$ 15,209,851	\$ 11,912,584	\$ 1,598,339	\$ 50	\$ 84,335	\$ 353,619	\$ 12,378,940	\$ 11,433,430	\$ (101,704,573)	\$ 185,503,822
LIABILITIES AND NET ASSETS (DEFICIT)														
Accounts payable and accrued expenses	\$ 2,465,288	\$ 3,743,819	\$ 557,816	\$ 56,745	\$ 610,820	\$ 19,016	\$ -	\$ -	\$ 100	\$ 200	\$ 233,541	\$ 3,695,822	\$ -	\$ 11,383,167
Advances due to affiliates	30,383,696	60,380,661	4,882,005	1,052,532	5,337,572	1,585,202	2,221,296	285,671	2,550,000	11,964	1,080,027	94,227	(101,704,573)	8,160,280
Security deposits	232,628	11,138	-	-	-	358,655	-	-	-	-	-	-	-	602,421
Accrued interest payable - mortgages and notes	330,574	-	-	-	176,762	-	-	-	-	-	38,910	-	-	546,246
Deferred revenue	2,648,472	314,358	950,000	-	-	97,253	-	-	-	-	-	-	-	4,010,083
Project grant advances	8,215,588	-	3,163,942	-	500,000	-	-	-	-	-	-	-	-	11,879,530
Mortgages and notes payable	43,170,322	-	160,500	-	11,975,229	-	-	-	-	-	11,026,462	-	-	66,332,513
Total liabilities	87,446,568	64,449,976	9,714,263	1,109,277	18,600,383	2,060,126	2,221,296	285,671	2,550,100	12,164	12,378,940	3,790,049	(101,704,573)	102,914,240
Net assets (deficit)														
Unrestricted	74,654,920	(44,975,488)	32,784,304	(25,810)	(3,390,532)	9,852,458	(622,957)	(285,621)	(2,465,765)	341,455	-	7,643,381	-	73,510,345
Temporarily restricted	9,079,237	-	-	-	-	-	-	-	-	-	-	-	-	9,079,237
Total net assets (deficit)	83,734,157	(44,975,488)	32,784,304	(25,810)	(3,390,532)	9,852,458	(622,957)	(285,621)	(2,465,765)	341,455	-	7,643,381	-	82,589,582
Total liabilities and net assets	\$ 171,180,725	\$ 19,474,488	\$ 42,498,567	\$ 1,083,467	\$ 15,209,851	\$ 11,912,584	\$ 1,598,339	\$ 50	\$ 84,335	\$ 353,619	\$ 12,378,940	\$ 11,433,430	\$ (101,704,573)	\$ 185,503,822

This schedule should be read in conjunction with Report of Independent Certified Public Accountants and the accompanying consolidated financial statements and notes thereto.

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Consolidating Schedule of Activities Information - Not-for-Profit Entities
For the year ended December 31, 2014

	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.	Webster Avenue H.D.F.C., Inc.	General Partners	Not-for-Profit Entities Eliminations	Total Not-for-Profit Entities
REVENUES AND SUPPORT														
Contributions	\$ 2,950,302	\$ 700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,951,002
Government grants and contracts	11,915,500	2,636,276	2,067,468	290,198	2,953,626	-	-	-	-	-	-	-	-	19,863,068
Management and partnership fees	-	1,982,779	-	-	-	-	-	-	-	-	-	169,998	(536,705)	1,616,072
Development fees	-	-	3,920,260	-	-	-	-	-	-	-	-	-	-	3,920,260
Rental income	8,685,813	131,064	-	-	29,866	1,181,944	10,340	-	-	-	-	-	(453,504)	9,585,523
Other income (loss)	1,387,896	1,029,562	(617,967)	-	107,696	5,993	12,659	-	-	-	-	(1,284)	-	1,924,555
Total revenues and support	24,939,511	5,780,381	5,369,761	290,198	3,091,188	1,187,937	22,999	-	-	-	-	168,714	(990,209)	39,860,480
EXPENSES														
Program services:														
Social services	13,852,921	2,854,652	1,895,691	293,278	3,455,222	-	-	-	-	-	-	-	-	22,351,764
Housing management and development	-	1,611,486	-	-	-	-	-	-	-	-	-	-	-	1,611,486
Affordable housing operations	6,374,649	-	-	-	-	-	-	-	-	-	-	-	(990,209)	5,384,440
Total program services	20,227,570	4,466,138	1,895,691	293,278	3,455,222	-	-	-	-	-	-	-	(990,209)	29,347,690
Supporting services:														
General and administrative	194,164	5,099,486	388,982	-	-	617,247	15,689	49	399	100	-	14,057	-	6,330,173
Fundraising	209,457	573,990	-	-	-	-	-	-	-	-	-	-	-	783,447
Depreciation and amortization	1,537,206	185,845	-	-	519,490	234,367	-	-	-	-	-	-	-	2,476,908
Interest and service fees	427,809	97,555	-	-	35,672	-	-	-	-	-	-	-	-	561,036
Total supporting services	2,368,636	5,956,876	388,982	-	555,162	851,614	15,689	49	399	100	-	14,057	-	10,151,564
Total expenses	22,596,206	10,423,014	2,284,673	293,278	4,010,384	851,614	15,689	49	399	100	-	14,057	(990,209)	39,499,254
Change in net assets before other non-recurring item	2,343,305	(4,642,633)	3,085,088	(3,080)	(919,196)	336,323	7,310	(49)	(399)	(100)	-	154,657	-	361,226
Other non-recurring item:														
Gain on forgiveness of project grant advance	-	-	330,000	-	-	-	-	-	-	-	-	-	-	330,000
Change in net assets	2,343,305	(4,642,633)	3,415,088	(3,080)	(919,196)	336,323	7,310	(49)	(399)	(100)	-	154,657	-	691,226
Net assets (deficit), beginning of year	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
Net assets (deficit), end of year	\$ 83,734,157	\$ (44,975,488)	\$ 32,784,304	\$ (25,810)	\$ (3,390,532)	\$ 9,852,458	\$ (622,957)	\$ (285,621)	\$ (2,465,765)	\$ 341,455	\$ -	\$ 7,643,381	\$ -	\$ 82,589,582

This schedule should be read in conjunction with Report of Independent Certified Public Accountants and the accompanying consolidated financial statements and notes thereto.

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Consolidating Schedule of Financial Position Information - Housing Entities
As of December 31, 2014

	Chelsea Residence				St. Marks		410 Asylum		Hegeman	Common Ground		Webster Avenue		Webster Avenue	Housing	Total
	Prince George Associates, L.P.	Limited Partnership	Schermerhorn L.P.	Pitt Street L.P.	Brook Avenue Housing L.P.	Brownville L.P.	410 Asylum Street, LLC	Street Historic LLC	Avenue Housing L.P.	Cedarwoods Housing LLC	1630 Dewey Avenue LLC	Boston Road Housing, L.P.	Affordable LLC	Supportive LLC	Entities Eliminations	Housing Entities
ASSETS																
Cash	\$ 273,738	\$ 112,285	\$ 131,295	\$ 113,065	\$ 102,217	\$ 126,598	\$ 513,709	\$ 379,082	\$ 53,349	\$ 529,028	\$ 172,226	\$ -	\$ -	\$ -	\$ -	\$ 2,506,592
Accounts receivable, net	172,696	52,392	54,661	107,404	78,967	8,406	-	20,968	89,567	541	264,145	1,531,888	-	-	-	2,381,635
Advances due from affiliates	3,274,179	1,102,378	1,327,416	761,920	934,544	130,730	-	1,662,276	629,075	38	-	-	-	1,465,700	(3,127,976)	8,160,280
Other assets, net	62,564	128,290	290,171	499,554	165,512	150,012	164,239	1,675,216	376,384	206,412	101,434	-	-	-	(1,671,449)	2,148,339
Tenant security deposits	140,636	55,946	101,932	82,014	60,188	14,697	-	55,658	39,254	40,671	36,761	-	-	-	-	627,757
Lender restricted cash and contractual reserves:																
Lender restricted cash	-	-	-	-	-	-	-	-	-	-	-	1,112,997	1,415,700	-	-	2,528,697
Contractual reserves	801,925	1,156,254	852,255	2,278,176	170,208	319,918	1,258,957	-	262,248	98,142	371,802	-	-	-	-	7,569,885
Total lender restricted cash and contractual reserves	801,925	1,156,254	852,255	2,278,176	170,208	319,918	1,258,957	-	262,248	98,142	371,802	1,112,997	1,415,700	-	-	10,098,582
Property and equipment:																
Construction-in-progress	6,000	-	-	-	-	-	-	-	-	-	85,802	34,091,699	50,000	-	-	34,233,501
Property and equipment, net	30,048,908	21,523,095	49,354,603	51,797,708	34,046,865	22,329,917	19,075,817	7,207	38,412,558	12,297,761	14,043,662	3,706,660	-	-	-	296,644,761
Total property and equipment	30,054,908	21,523,095	49,354,603	51,797,708	34,046,865	22,329,917	19,075,817	7,207	38,412,558	12,297,761	14,129,464	37,798,359	50,000	-	-	330,878,262
Total assets	\$ 34,780,646	\$ 24,130,640	\$ 52,112,333	\$ 55,639,841	\$ 35,558,501	\$23,080,278	\$ 21,012,722	\$ 3,800,407	\$ 39,862,435	\$ 13,172,593	\$ 15,075,832	\$ 40,443,244	\$ 1,465,700	\$ 1,465,700	\$ (4,799,425)	\$ 356,801,447
LIABILITIES AND PARTNERS' / MEMBERS' EQUITY (DEFICIT)																
Accounts payable and accrued expenses	\$ 803,687	\$ 105,127	\$ 284,270	\$ 85,544	\$ 346,856	\$ 143,910	\$ 1,679,259	\$ 101,955	\$ 196,590	\$ 70,561	\$ 464,720	\$ -	\$ -	\$ -	\$ (1,671,449)	\$ 2,611,030
Construction payable	169,813	475,895	-	1,600,000	-	1,351,962	-	-	-	-	38,624	3,020,390	-	-	-	6,656,684
Advances due to affiliates	3,529,808	1,700,081	1,910,274	-	1,657	2,535,840	4,532,673	216,631	5,949	1,336,503	310,903	181,508	1,465,700	1,465,700	(3,127,976)	16,065,251
Security deposits	140,636	55,945	101,932	82,014	60,188	14,697	-	50,273	39,254	36,070	36,761	-	-	-	-	617,770
Accrued interest payable - mortgages and notes	2,690,724	747,913	1,338,968	1,240,028	961,806	96,173	169,145	-	489,239	-	104,918	-	-	-	-	7,838,914
Accrued interest payable - affiliate notes	-	-	-	381,213	-	2,612,255	-	-	120,664	4,435	-	-	-	-	-	3,118,567
Development fees payable	-	62,420	4,266,436	6,850,000	1,700,464	1,020,000	-	-	1,586,363	795,577	1,422,283	3,123,153	-	-	-	20,826,696
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	12,341,953	-	24,340,763	9,131,488	5,630,153	31,175,796	-	-	-	202,261,644
Total liabilities	32,521,338	25,876,104	35,072,454	43,438,552	25,708,471	19,967,844	19,422,784	368,859	31,428,822	11,870,609	9,182,305	37,500,847	1,465,700	1,465,700	(4,799,425)	290,490,964
Partners' / members' equity (deficit)																
Controlling interest	2,259,308	(799)	(1,040)	(707)	(713)	371	1,274,502	1	(314)	(134)	(174)	-	-	-	-	3,530,301
Noncontrolling interest	-	(1,744,665)	17,040,919	12,201,996	9,850,743	3,112,063	315,436	3,431,547	8,433,927	1,302,118	5,893,701	2,942,397	-	-	-	62,780,182
Total partners' / members' equity (deficit)	2,259,308	(1,745,464)	17,039,879	12,201,289	9,850,030	3,112,434	1,589,938	3,431,548	8,433,613	1,301,984	5,893,527	2,942,397	-	-	-	66,310,483
Total liabilities and partners' / members' equity	\$ 34,780,646	\$ 24,130,640	\$ 52,112,333	\$ 55,639,841	\$ 35,558,501	\$23,080,278	\$ 21,012,722	\$ 3,800,407	\$ 39,862,435	\$ 13,172,593	\$ 15,075,832	\$ 40,443,244	\$ 1,465,700	\$ 1,465,700	\$ (4,799,425)	\$ 356,801,447

This schedule should be read in conjunction with Report of Independent Certified Public Accountants and the accompanying consolidated financial statements and notes thereto.

COMMON GROUND COMMUNITY H.D.F.C., INC. AND AFFILIATES
Consolidating Schedule of Activities Information - Housing Entities
For the year ended December 31, 2014

	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	Housing Entities Eliminations	Total Housing Entities
REVENUES AND SUPPORT													
Rental income	\$ 4,145,021	\$ 2,083,893	\$ 2,288,345	\$ 2,552,180	\$ 1,967,644	\$ 832,021	\$ 382,075	\$ 936,370	\$ 1,850,935	\$ 432,266	\$ 562,467	\$ (382,075)	\$ 17,651,142
Other income	<u>272,569</u>	<u>88,266</u>	<u>186,442</u>	<u>188,857</u>	<u>64,638</u>	<u>106,435</u>	<u>27,925</u>	<u>126,963</u>	<u>59,958</u>	<u>12,165</u>	<u>24,608</u>	<u>-</u>	<u>1,158,826</u>
Total revenues and support	<u>4,417,590</u>	<u>2,172,159</u>	<u>2,474,787</u>	<u>2,741,037</u>	<u>2,032,282</u>	<u>938,456</u>	<u>410,000</u>	<u>1,063,333</u>	<u>1,910,893</u>	<u>444,431</u>	<u>587,075</u>	<u>(382,075)</u>	<u>18,809,968</u>
EXPENSES													
Program services:													
Affordable housing operations	<u>4,116,198</u>	<u>2,071,215</u>	<u>2,259,546</u>	<u>2,813,969</u>	<u>1,944,024</u>	<u>944,941</u>	<u>108,440</u>	<u>947,793</u>	<u>1,720,795</u>	<u>463,992</u>	<u>519,235</u>	<u>(382,075)</u>	<u>17,528,073</u>
Total program services	<u>4,116,198</u>	<u>2,071,215</u>	<u>2,259,546</u>	<u>2,813,969</u>	<u>1,944,024</u>	<u>944,941</u>	<u>108,440</u>	<u>947,793</u>	<u>1,720,795</u>	<u>463,992</u>	<u>519,235</u>	<u>(382,075)</u>	<u>17,528,073</u>
Supporting services:													
Depreciation and amortization	1,126,639	619,878	1,525,605	1,599,811	1,191,088	822,202	733,887	3,950	1,105,949	405,855	468,796	-	9,603,660
Interest and service fees	<u>193,838</u>	<u>70,953</u>	<u>264,617</u>	<u>402,628</u>	<u>211,000</u>	<u>507,324</u>	<u>245,117</u>	<u>-</u>	<u>273,408</u>	<u>7,480</u>	<u>154,178</u>	<u>-</u>	<u>2,330,543</u>
Total supporting services	<u>1,320,477</u>	<u>690,831</u>	<u>1,790,222</u>	<u>2,002,439</u>	<u>1,402,088</u>	<u>1,329,526</u>	<u>979,004</u>	<u>3,950</u>	<u>1,379,357</u>	<u>413,335</u>	<u>622,974</u>	<u>-</u>	<u>11,934,203</u>
Total expenses	<u>5,436,675</u>	<u>2,762,046</u>	<u>4,049,768</u>	<u>4,816,408</u>	<u>3,346,112</u>	<u>2,274,467</u>	<u>1,087,444</u>	<u>951,743</u>	<u>3,100,152</u>	<u>877,327</u>	<u>1,142,209</u>	<u>(382,075)</u>	<u>29,462,276</u>
Net (loss) income	<u>\$ (1,019,085)</u>	<u>\$ (589,887)</u>	<u>\$ (1,574,981)</u>	<u>\$ (2,075,371)</u>	<u>\$ (1,313,830)</u>	<u>\$ (1,336,011)</u>	<u>\$ (677,444)</u>	<u>\$ 111,590</u>	<u>\$ (1,189,259)</u>	<u>\$ (432,896)</u>	<u>\$ (555,134)</u>	<u>\$ -</u>	<u>\$ (10,652,308)</u>

This schedule should be read in conjunction with Report of Independent Certified Public Accountants and the accompanying consolidated financial statements and notes thereto.