COMMON GROUND COMMUNITIES, INC.
d/b/a COMMUNITY SOLUTIONS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

COMMON GROUND COMMUNITIES, INC.
d/b/a COMMUNITY SOLUTIONS, INC.

CONTENTS

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Independent Auditors' Report

To the Board of Directors
Common Ground Communities, Inc. d/b/a Community Solutions, Inc.
New York, New York

We have audited the accompanying financial statements of Common Ground Communities, Inc. d/b/a Community Solutions, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Common Ground Communities, Inc. d/b/a Community Solutions, Inc., as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blum, Shapiro + Company, P.C.

West Hartford, Connecticut
June 25, 2014

COMMON GROUND COMMUNITIES, INC.
d/b/a COMMUNITY SOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 1,969,433	$ 2,245,903
Investments	-	5,184
Contributions receivable, net	2,867,657	1,541,735
Grants receivable	310,697	133,782
Other assets	82,649	251,063
Due from Northeast Neighborhood Partners Inc. (NNPI)	511,316	53,266
Due from North Capitol Commons LP	358,353	-
Property and equipment, net	426,390	-
Total Assets	$ 6,526,495	$ 4,230,933
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 272,786	$ 442,978
Deferred grant revenue	200,000	5,000
Loans payable	158,353	-
Total liabilities	631,139	447,978
Net Assets		
Unrestricted net assets	1,007,763	700,503
Temporarily restricted net assets	4,887,593	3,082,452
Total net assets	5,895,356	3,782,955
Total Liabilities and Net Assets	$ 6,526,495	$ 4,230,933

The accompanying notes are an integral part of the financial statements

COMMON GROUND COMMUNITIES, INC.
d/b/a COMMUNITY SOLUTIONS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Changes in Unrestricted Net Assets		
Support and revenue:		
Governmental grants	$ 1,056,589	$ 269,695
Contributions	357,070	404,991
Development and management fees	71,361	303,152
Donated rent	27,608	72,898
Consulting income	24,275	10,876
Program income	16,997	208,917
Other income	15,703	12,016
Net realized and unrealized gain (loss) on investments	434	(2,077)
Net assets released from restrictions	4,624,540	4,011,407
Total unrestricted support and revenue	6,194,577	5,291,875
Expenses:		
Program services:		
100K Homes Campaign	2,017,873	1,595,682
Brownsville Partnership	1,942,962	1,614,041
Inspiring Places	519,290	604,638
Hartford Community Partnership	313,171	206,178
Total program services	4,793,296	4,020,539
Management and general	708,675	514,029
Fundraising	385,346	238,585
Total expenses	5,887,317	4,773,153
Increase in unrestricted net assets	307,260	518,722
Changes in Temporarily Restricted Net Assets		
Support and revenue:		
Contributions	6,429,681	2,865,294
Net assets released from restrictions	(4,624,540)	(4,011,407)
Increase (decrease) in temporarily restricted net assets	1,805,141	(1,146,113)
Change in Net Assets	2,112,401	(627,391)
Net Assets - Beginning of Year	3,782,955	4,410,346
Net Assets - End of Year	$ 5,895,356	$ 3,782,955

The accompanying notes are an integral part of the financial statements

COMMON GROUND COMMUNITIES, INC.
d/b/a COMMUNITY SOLUTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services					Support Services			
	100K Homes Campaign	**Brownsville Partnership**	**Inspiring Places**	**Hartford Community Partnership**	**Total**	**Management and General**	**Fund-raising**	**Total**	**Grand Total**
Personnel services	$ 1,264,980	$ 1,309,356	$ 398,513	$ 244,495	$ 3,217,344	$ 228,189	$ 214,717	$ 442,906	$ 3,660,250
Professional services	274,080	296,219	101,631	35,394	707,324	232,803	77,601	310,404	1,017,728
Program expenses	194,655	68,966	3,158	18,275	285,054	-	-	-	285,054
Travel and conference	187,649	27,885	11,134	8,288	234,956	22,368	12,286	34,654	269,610
Occupancy	20,600	58,515	-	-	79,115	76,701	72,173	148,874	227,989
Subcontract expenses	-	118,218	-	-	118,218	-	-	-	118,218
Communication	50,465	23,354	3,315	5,530	82,664	25,051	-	25,051	107,715
Printing and postage	10,192	13,768	1,459	650	26,069	18,181	-	18,181	44,250
Equipment purchases and rental	2,324	14,115	-	-	16,439	26,131	-	26,131	42,570
Office supplies and expenses	3,296	10,166	-	539	14,001	23,973	3,628	27,601	41,602
Insurance	-	-	-	-	-	30,442	-	30,442	30,442
Advertising and marketing	9,536	2,220	80	-	11,836	18,227	-	18,227	30,063
Miscellaneous expenses	96	180	-	-	276	6,609	4,941	11,550	11,826
Total	$ 2,017,873	$ 1,942,962	$ 519,290	$ 313,171	$ 4,793,296	$ 708,675	$ 385,346	$ 1,094,021	$ 5,887,317

The accompanying notes are an integral part of the financial statements

COMMON GROUND COMMUNITIES, INC.
d/b/a COMMUNITY SOLUTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services					Support Services			
	100K Homes Campaign	Brownsville Partnership	Inspiring Places	Hartford Community Partnership	Total	Management and General	Fund-raising	Total	Grand Total
Personnel services	$ 988,263	1,220,393	$ 324,119	193,409	$ 2,726,184	$ 110,621	$ 130,684	$ 241,305	$ 2,967,489
Professional services	317,325	129,644	132,075	-	579,044	225,791	63,470	289,261	868,305
Program expenses	39,459	34,959	4,497	1,505	80,420	-	-	-	80,420
Travel and conference	147,746	27,520	2,197	8,045	185,508	21,660	24,963	46,623	232,131
Occupancy	17,019	55,700	-	-	72,719	46,514	14,952	61,466	134,185
Subcontract expenses	5,000	87,162	139,076	-	231,238	-	-	-	231,238
Communication	39,704	25,982	1,360	2,482	69,528	16,907	-	16,907	86,435
Printing and postage	16,941	10,352	364	413	28,070	13,855	-	13,855	41,925
Equipment purchases and rental	3,988	12,265	-	-	16,253	13,954	-	13,954	30,207
Office supplies and expenses	5,822	8,825	-	-	14,647	11,381	4,516	15,897	30,544
Insurance	-	-	-	-	-	19,671	-	19,671	19,671
Advertising and marketing	13,730	220	700	-	14,650	22,391	-	22,391	37,041
Miscellaneous expenses	685	1,019	250	324	2,278	11,284	-	11,284	13,562
Total	$ 1,595,682	1,614,041	$ 604,638	206,178	$ 4,020,539	$ 514,029	$ 238,585	$ 752,614	$ 4,773,153

The accompanying notes are an integral part of the financial statements

COMMON GROUND COMMUNITIES, INC.
d/b/a COMMUNITY SOLUTIONS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	$ 2,112,401	$ (627,391)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized (gain) loss on investments	(434)	2,077
Depreciation expense	710	-
(Increase) decrease in operating assets:		
Contributions receivable, net	(1,325,922)	1,065,137
Grants receivable	(176,915)	(40,886)
Other assets	168,414	(224,964)
Due from Northeast Neighborhood Partners Inc. (NNPI)	(458,050)	(53,266)
Due from North Capitol Commons LP	(358,353)	-
Due from Common Ground Community Housing Development Fund (CGNY)	-	31,281
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(170,192)	325,081
Deferred grant revenue	195,000	(16,240)
Due to Northeast Neighborhood Partners Inc. (NNPI)	-	(69,034)
Net cash provided by (used in) operating activities	(13,341)	391,795
Cash Flows from Investing Activities		
Net sales (purchases) of investments	5,618	(7,261)
Purchase of property and equipment	(427,100)	-
Net cash used in investing activities	(421,482)	(7,261)
Cash Flows from Financing Activities		
Proceeds from loan payable	358,353	-
Repayments on loan payable	(200,000)	-
Net cash provided by financing activities	158,353	-
Net Increase (Decrease) in Cash and Cash Equivalents	(276,470)	384,534
Cash and Cash Equivalents - Beginning of Year	2,245,903	1,861,369
Cash and Cash Equivalents - End of Year	$ 1,969,433	$ 2,245,903

The accompanying notes are an integral part of the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities - Common Ground Communities, Inc. d/b/a Community Solutions, Inc. (the Organization) was incorporated in 2011 as a not-for-profit organization with the primary mission to strengthen communities to end homelessness by building partnerships, sharing innovations and connecting vulnerable people to homes and support.

On August 27, 2013, the Organization signed an Operating Agreement with CS North Capitol Commons LLC. In this agreement, the Organization became the sole member of CS North Capitol Commons LLC, making CS North Capitol Commons LLC a corporate subsidiary of the Organization. For the year ended December 31, 2013, there was no activity within CS North Capitol Commons LLC; therefore, consolidation is not deemed necessary.

Basis of Accounting and Presentation - The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions.

> **Unrestricted Net Assets** - Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.
>
> **Temporarily Restricted Net Assets** - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure.
>
> **Permanently Restricted Net Assets** - Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Organization to expend the income earned thereon. There are no permanently restricted net assets at December 31, 2013 and 2012.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures in the financial statements. Actual results could differ from these estimates.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Valuation and Income Recognition - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gain (loss) on investments includes the Organization's gains and losses on investments bought and sold as well as held during the year.

Property and Equipment - Property and equipment are recorded at cost. Major renewals and improvements in excess of $5,000 are capitalized, while replacements, maintenance and repairs that do not extend the lives of the assets are charged directly to expense as incurred. Upon disposition or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gains and losses are included in the results of operations.

Depreciation is provided for using the straight-line method based on the estimated useful lives of the assets as follows:

Buildings and improvements	33.5 years
Furniture and fixtures	5 years
Computer equipment and software	3 years

Grants and Contracts - Governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue.

Contributions - Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization recognizes donated services at their estimated fair value if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. No donated services have been recognized in the accompanying financial statements in accordance with applicable accounting standards.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - The Organization is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. The Organization's informational returns for the periods ended December 31, 2011 through 2013, are subject to examination by the Internal Revenue Service and the State of New York.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through June 25, 2014, which represents the date the financial statements were available to be issued.

NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization's investments at December 31, 2012 consisted of domestic equities in the amount of $5,184, which are valued using Level 1 inputs. There were no investments as of December 31, 2013.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 and 2012, consisted of the following:

	2013	2012
Computer equipment	$ 7,100	$ -
Deposits on building purchase	420,000	-
	427,100	-
Less accumulated depreciation	710	-
Property and Equipment, Net	$ 426,390	$ -

Depreciation expense was $710 for the year ended December 31, 2013.

Deposits on building purchase as of December 31, 2013 relates to downpayments made to purchase a building. The purchase of the building is anticipated to close in July 2014, with construction starting immediately thereafter and with tenants as well as the Organization's Brownsville Partnership team occupying the building by November 2014. Total purchase price for the building is $2,860,000, which will be financed through the acquisition of debt.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable as of December 31, 2013 and 2012, are expected to be collected as follows:

	2013	2012
Receivable in less than one year	$ 2,051,954	$ 1,397,240
Receivable in one to five years	856,635	150,516
	2,908,589	1,547,756
Less discount to net present value	40,932	6,021
Net Contributions Receivable	$ 2,867,657	$ 1,541,735

Contributions receivable in more than one year are discounted at 2%. Management has determined that an allowance for uncollectible accounts for accounts receivable or contributions receivable is not necessary as of December 31, 2013 and 2012. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

NOTE 5 - LOAN PAYABLE

In July 2013, the Organization received a loan from a local foundation in the amount of $358,353 to provide support for construction and predevelopment-related expenses for the North Capitol project in Washington, D.C. The loan is a zero-interest bearing loan and is required to be repaid in full upon the receipt and closing of construction financing by the Organization. Monthly principal and interest payments are not required under the terms of the loan. The outstanding balance on the loan as of December 31, 2013 is $158,353.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes or future periods as of December 31, 2013 and 2012:

	2013	2012
Purpose restrictions:		
Brownsville Partnership	$ 2,255,633	$ 1,539,680
Inspiring Places	1,473,748	-
100K Homes Campaign	801,655	1,251,431
Hartford Community Partnership	325,038	166,341
Time restrictions	31,519	125,000
Total Temporarily Restricted Net Assets	$ 4,887,593	$ 3,082,452

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by satisfying the following time and purpose restrictions during the years ended December 31, 2013 and 2012:

	2013	2012
Purpose restrictions:		
100K Homes Campaign	$ 1,919,293	$ 1,660,976
Brownsville Partnership	1,658,605	1,705,120
Inspiring Places	451,252	274,478
Hartford Community Partnership	387,857	180,833
Time restrictions	207,533	190,000
Total Net Assets Released from Restrictions	$ 4,624,540	$ 4,011,407

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Organization maintains a defined contribution retirement plan that is available to all full-time employees who have attained age 21. The plan provides for voluntary employee contributions, and the Organization may elect to match 100% of employee contributions up to 3% of their gross salary after a minimum of 1 year of service. Organization contributions totaled $36,772 and $37,772 as of December 31, 2013 and 2012, respectively.

NOTE 9 - OPERATING LEASES

The Organization leases equipment and office spaces under multiple operating leases that run through June 2023. Rent expense for these leases amounted to $163,464 and $73,693 for the years ended December 31, 2013 and 2012, respectively.

As part of the Reorganization and Separation Agreement dated June 29, 2011 with Common Ground Community Housing Development Fund (CGNY), the Organization was granted the right to reside in office space located at 14 East 28th Street, New York, New York, rent free for a period of 24 months. The Organization recognized donated rent from CGNY in the amount of $27,608 and $72,898, as of December 31, 2013 and 2012, respectively, which is the current market value for a comparable space.

In June 2013, the Organization entered into an operating lease for new office space that expires in June 2023. The lease requires escalating monthly payments ranging from $15,664 to $20,433 over the term of the lease. The Organization recognizes rent expensed on a straight-line basis over the respective lease term of the underlying agreement. Rent expense under this method was $108,515 for the year ended December 31, 2013.

Future minimum lease payments under leases extending beyond one year from the statement of financial position date are as follows:

Year Ending December 31		
2014	$	237,023
2015		196,801
2016		201,678
2017		211,324
2018		221,185
Thereafter		1,063,490
Total	$	2,131,501

NOTE 10 - RELATED PARTY TRANSACTIONS

During the years ended December 31, 2013 and 2012, the Organization paid expenses for Northeast Neighborhood Partners Inc. (NNPI). The costs incurred by the Organization for NNPI are offset by advanced payments received by the Organization for NNPI. In addition to this, certain employees of the Organization performed work for NNPI throughout the year. The percentage of the employees' salaries pertaining to the work performed is charged to NNPI throughout the year. Lastly, the President of the Organization is the President of the Board of Directors of NNPI as of December 31, 2013 and 2012.