

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

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

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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 statement of financial position of Common Ground Communities, Inc. d/b/a Community Solutions, Inc., as of December 31, 2011 and the related statements of activities, functional expenses and cash flows for the period from August 1, 2011 (inception) to December 31, 2011. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 and the changes in its net assets and its cash flows for the period from August 1, 2011 (inception) to December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

*Blum, Shapiro & Company, P.C.*

April 25, 2012

**COMMON GROUND COMMUNITIES, INC.**  
**d/b/a COMMUNITY SOLUTIONS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2011**

**ASSETS**

Cash and cash equivalents	\$	1,861,369
Contributions receivable		2,606,872
Grants receivable		92,896
Prepaid expenses		26,099
Due from Common Ground Community Housing Development Fund (CGNY)		<u>31,281</u>
<b>Total Assets</b>	<b>\$</b>	<b><u><u>4,618,517</u></u></b>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable and accrued expenses	\$	117,897
Due to Northeast Neighborhood Partners Inc. (NNPI)		69,034
Deferred grant revenue		<u>21,240</u>
Total liabilities		<u><u>208,171</u></u>

**Net Assets**

Unrestricted net assets		181,781
Temporarily restricted net assets		<u>4,228,565</u>
Total net assets		<u><u>4,410,346</u></u>

<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u><u>4,618,517</u></u></b>
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The accompanying notes are an integral part of the financial statements

**COMMON GROUND COMMUNITIES, INC.**  
**d/b/a COMMUNITY SOLUTIONS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE PERIOD FROM AUGUST 1, 2011 (INCEPTION)**  
**TO DECEMBER 31, 2011**

**Changes in Unrestricted Net Assets**

Support and revenue:		
Contributions	\$	490,941
Governmental grants		285,585
Gain on sale of property		150,715
Development and management fees		130,551
Program income		90,029
Consulting income		55,800
In-kind contributions		27,608
Other income		39,680
Net assets released from restrictions		<u>2,934,561</u>
Total unrestricted support and revenue		<u>4,205,470</u>
 Expenses:		
Program services:		
Connecting Community Resources:		
Brownsville Partnership		1,330,764
Healthy Communities		91,602
Sharing Solutions:		
100K Homes Campaign		1,197,443
Creating Homes		<u>697,131</u>
Total program services		<u>3,316,940</u>
Management and general		517,697
Fundraising		<u>189,052</u>
Total expenses		<u>4,023,689</u>
 Increase in unrestricted net assets		<u>181,781</u>

**Changes in Temporarily Restricted Net Assets**

Support and revenue:		
Contributions		4,511,340
Transferred contributions from CGNY		2,651,786
Net assets released from restrictions		<u>(2,934,561)</u>
Increase in temporarily restricted net assets		<u>4,228,565</u>

**Change in Net Assets** 4,410,346

**Net Assets - Beginning of Period** -

**Net Assets - End of Period** \$ 4,410,346

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 PERIOD FROM AUGUST 1, 2011 (INCEPTION)**  
**TO DECEMBER 31, 2011**

	<u>Program Services</u>					<u>Support Services</u>			<u>Grand Total</u>
	<u>Brownsville Partnership</u>	<u>Healthy Communities</u>	<u>100k Homes Campaign</u>	<u>Creating Homes</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>	
Personnel services	\$ 959,250	\$ 84,997	\$ 862,652	\$ 533,561	\$ 2,440,460	\$ 164,365	\$ 69,319	\$ 233,684	\$ 2,674,144
Professional services	10,762	-	20,457	11,344	42,563	126,229	97,502	223,731	266,294
Consultants	26,631	-	165,330	56,600	248,561	79,056	-	79,056	327,617
Occupancy	66,018	-	7,237	-	73,255	29,868	8,190	38,058	111,313
Office supplies and expenses	8,726	-	8,498	-	17,224	9,875	3,083	12,958	30,182
Equipment purchases and rental	8,560	-	701	-	9,261	8,453	-	8,453	17,714
Printing and postage	3,444	-	6,133	44	9,621	10,383	-	10,383	20,004
Communication	19,454	-	24,001	510	43,965	25,252	-	25,252	69,217
Insurance	690	-	-	-	690	23,795	-	23,795	24,485
Advertising and marketing	15,850	-	4,292	-	20,142	530	-	530	20,672
Subcontract expenses	137,367	-	22,500	76,434	236,301	-	-	-	236,301
Travel and conference	15,367	1,553	69,737	18,156	104,813	35,622	10,958	46,580	151,393
Program expenses	58,645	5,052	2,823	482	67,002	-	-	-	67,002
Miscellaneous expenses	-	-	3,082	-	3,082	4,269	-	4,269	7,351
<b>Total</b>	<b>\$ 1,330,764</b>	<b>\$ 91,602</b>	<b>\$ 1,197,443</b>	<b>\$ 697,131</b>	<b>\$ 3,316,940</b>	<b>\$ 517,697</b>	<b>\$ 189,052</b>	<b>\$ 706,749</b>	<b>\$ 4,023,689</b>

The accompanying notes are an integral part of the financial statements

**COMMON GROUND COMMUNITIES, INC.**  
**d/b/a COMMUNITY SOLUTIONS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM AUGUST 1, 2011 (INCEPTION)**  
**TO DECEMBER 31, 2011**

**Cash Flows from Operating Activities**

Change in net assets	\$ 4,410,346
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in operating assets:	
Contributions receivable	(2,606,872)
Grants receivable	(92,896)
Prepaid expenses	(26,099)
Due from Common Ground Community Housing Development Fund (CGNY)	(31,281)
Increase in operating liabilities:	
Accounts payable and accrued expenses	117,897
Due to Northeast Neighborhood Partners Inc. (NNPI)	69,034
Deferred grant revenue	21,240
Net cash provided by operating activities	1,861,369

**Net Increase in Cash and Cash Equivalents**

1,861,369

**Cash and Cash Equivalents - Beginning of Period**

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**Cash and Cash Equivalents - End of Period**

\$ 1,861,369

The accompanying notes are an integral part of the financial statements

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

In February 2010, the Board of Directors of Common Ground Community Housing Development Fund Corporation, Inc. (CGNY) announced its intention to restructure the organization by transitioning its national programs, including the 100,000 Homes Campaign and the Brownsville Partnership, to a new stand-alone organization that would expand these efforts. Per the Reorganization and Separation Agreement dated June 29, 2011 with an effective date of August 1, 2011, the Organization was formed. On this date, CGNY transferred to the Organization a payment consisting of all grants, contributions and gifts that donors have expressly designated to be used solely for the transferred national programs. As of December 31, 2011, this contribution is recognized within changes in temporarily restricted net assets on the statement of activities. In addition to this, CGNY transferred all assets, liabilities and expenditures to date corresponding with each transferred employee to the Organization. The President of the Organization was formerly the President of CGNY. Effective January 1, 2011, the President resigned from her position at CGNY.

**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, 2011.

**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.



**COMMON GROUND COMMUNITIES, INC.**  
**d/b/a COMMUNITY SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. 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.

**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 period ended December 31, 2011 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 April 25, 2012, which represents the date the financial statements were available to be issued.

**COMMON GROUND COMMUNITIES, INC.  
d/b/a COMMUNITY SOLUTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - CONTRIBUTIONS RECEIVABLE**

Unconditional contributions receivable as of December 31, 2011 are expected to be collected as follows:

Receivable in less than one year	\$ 1,518,957
Receivable in one to five years	<u>1,139,445</u>
	2,658,402
Less discount to net present value	<u>51,530</u>
Net Contributions Receivable	<u>\$ 2,606,872</u>

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, 2011. 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 3 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes or future periods at December 31, 2011:

Purpose restrictions:	
Connecting Community Resources	\$ 2,013,462
Sharing Solutions	2,060,625
Creating Homes	14,478
Time restrictions	<u>140,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 4,228,565</u>

**NOTE 4 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from restrictions by satisfying the following time and purpose restrictions during the period ended December 31, 2011:

Purpose restrictions:	
Connecting Community Resources	\$ 1,192,833
Sharing Solutions	985,081
Creating Homes	438,647
Time restrictions	<u>318,000</u>
Total Net Assets Released from Restrictions	<u>\$ 2,934,561</u>

**COMMON GROUND COMMUNITIES, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - 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 \$13,745 for the period ended December 31, 2011.

**NOTE 6 - OPERATING LEASES**

The Organization leases equipment and office spaces under multiple operating leases that run through June 2013. Rent expense for these leases amounted to \$95,443 as of December 31, 2011.

As part of the Reorganization and Separation Agreement with CGNY, the Organization was granted the right to reside in the current office space located at 14 East 28<sup>th</sup> Street, New York, NY, rent free for a period of 24 months. For the period ended December 31, 2011, the Organization recognized an in-kind contribution from CGNY in the amount of \$27,608, which is the current market value for a comparable space.

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

**Year Ending December 31**

2012	\$ 64,222
2013	<u>25,337</u>
 Total Minimum Lease Payments	 \$ <u><u>89,559</u></u>

**NOTE 7 - RELATED PARTY TRANSACTIONS**

During the period ended December 31, 2011, 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 from NNPI. In addition to this, the President of the Organization is the President of the Board of Directors of NNPI as of December 31, 2011.