

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Common Ground Communities, Inc. and Subsidiaries, d/b/a Community Solutions, Inc. (the Organization), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2014 and 2013, 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
June 15, 2015

COMMON GROUND COMMUNITIES, INC. AND SUBSIDIARIES
d/b/a COMMUNITY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 3,685,000	\$ 1,969,433
Restricted cash	2,217,313	-
Contributions receivable, net	4,175,137	2,867,657
Grants receivable	316,318	310,697
Note receivable - Northeast Neighborhood Partners Inc. (NNPI)	350,000	300,000
Replacement reserve	172,330	-
Operating reserve	99,368	-
Other assets	176,611	82,649
Due from NNPI	168,358	211,316
Due from North Capitol Commons LP	-	358,353
Property and equipment, net	3,367,056	426,390
Total Assets	\$ 14,727,491	\$ 6,526,495
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 341,780	\$ 272,786
Due to North Capitol Commons LP	559,738	-
Deferred grant revenue	-	200,000
Loan payable - LIIF	1,004,397	-
Loan payable - foundation	-	158,353
Total liabilities	1,905,915	631,139
Net Assets		
Unrestricted net assets	3,747,832	1,007,763
Temporarily restricted net assets	9,073,744	4,887,593
Total net assets	12,821,576	5,895,356
Total Liabilities and Net Assets	\$ 14,727,491	\$ 6,526,495

The accompanying notes are an integral part of the financial statements

COMMON GROUND COMMUNITIES, INC. AND SUBSIDIARIES
d/b/a COMMUNITY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Changes in Unrestricted Net Assets		
Support and revenue:		
Governmental grants	\$ 1,348,145	\$ 1,056,589
Development and management fees	601,581	71,361
Consulting income	406,440	24,275
Contributions	366,366	357,070
Program income	21,441	16,997
Other income	13,003	15,703
Rental income	1,863	-
Donated rent	-	27,608
Net realized and unrealized gain on investments	-	434
Net assets released from restrictions	7,395,042	4,624,540
Total unrestricted support and revenue	10,153,881	6,194,577
Expenses:		
Program services:		
100K Homes Campaign/Zero: 2016	2,015,126	2,017,873
Brownsville Partnership	1,942,282	1,942,962
Inspiring Places	956,092	519,290
Hartford Community Partnership	411,790	313,171
Knowledge Sharing	531,819	-
519 Rockaway	228,813	-
Total program services	6,085,922	4,793,296
Management and general	805,068	708,675
Fundraising	522,822	385,346
Total expenses	7,413,812	5,887,317
Increase in unrestricted net assets	2,740,069	307,260
Changes in Temporarily Restricted Net Assets		
Support and revenue:		
Contributions	11,581,193	6,429,681
Net assets released from restrictions	(7,395,042)	(4,624,540)
Increase in temporarily restricted net assets	4,186,151	1,805,141
Change in Net Assets	6,926,220	2,112,401
Net Assets - Beginning of Year	5,895,356	3,782,955
Net Assets - End of Year	\$ 12,821,576	\$ 5,895,356

The accompanying notes are an integral part of the financial statements

COMMON GROUND COMMUNITIES, INC. AND SUBSIDIARIES
d/b/a COMMUNITY SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>						<u>Support Services</u>			<u>Grand Total</u>	
	<u>100K Homes</u>	<u>Hartford</u>				<u>Management and General</u>		<u>Fund-raising</u>	<u>Total</u>		
	<u>Campaign / Zero: 2016</u>	<u>Brownsville Partnership</u>	<u>Inspiring Places</u>	<u>Community Partnership</u>	<u>Knowledge Sharing</u>	<u>519 Rockaway</u>	<u>Total</u>	<u>General</u>	<u>raising</u>	<u>Total</u>	<u>Total</u>
Personnel services	\$ 1,494,789	\$ 1,262,903	\$ 511,711	\$ 282,637	\$ 373,385	\$ -	\$ 3,925,425	\$ 216,614	\$ 228,001	\$ 444,615	\$ 4,370,040
Professional services	236,956	290,726	411,129	47,508	51,802	189,598	1,227,719	264,300	76,078	340,378	1,568,097
Travel and conference	135,256	47,799	12,505	8,993	64,993	-	269,546	70,088	43,014	113,102	382,648
Occupancy	23,373	61,829	-	17,384	-	14,902	117,488	126,479	127,482	253,961	371,449
Program expenses	31,956	65,512	11,862	34,732	6,134	810	151,006	-	-	-	151,006
Subcontract expenses	-	111,609	-	-	25,000	-	136,609	-	-	-	136,609
Communication	52,821	22,948	4,393	7,257	3,657	437	91,513	31,019	12,457	43,476	134,989
Equipment purchases and rental	10,605	31,229	2,832	4,586	1,506	-	50,758	17,481	2,504	19,985	70,743
Office supplies and expenses	3,051	16,446	400	2,265	1,986	46	24,194	32,212	5,843	38,055	62,249
Printing and postage	5,593	28,133	1,097	2,972	2,262	424	40,481	12,336	-	12,336	52,817
Insurance	-	-	-	-	-	10,452	10,452	19,995	21,046	41,041	51,493
Advertising and marketing	12,627	800	-	80	1,049	-	14,556	348	367	715	15,271
Miscellaneous expenses	8,099	2,348	163	3,376	45	12,144	26,175	14,196	6,030	20,226	46,401
Total	<u>\$ 2,015,126</u>	<u>\$ 1,942,282</u>	<u>\$ 956,092</u>	<u>\$ 411,790</u>	<u>\$ 531,819</u>	<u>\$ 228,813</u>	<u>\$ 6,085,922</u>	<u>\$ 805,068</u>	<u>\$ 522,822</u>	<u>\$ 1,327,890</u>	<u>\$ 7,413,812</u>

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			Grand Total
	100K Homes Campaign / Zero: 2016	Brownsville Partnership	Inspiring Places	Hartford Community Partnership	Total	Management and General	Fund- raising	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
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
Program expenses	194,655	68,966	3,158	18,275	285,054	-	-	-	285,054
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
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
Printing and postage	10,192	13,768	1,459	650	26,069	18,181	-	18,181	44,250
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	<u>\$ 2,017,873</u>	<u>\$ 1,942,962</u>	<u>\$ 519,290</u>	<u>\$ 313,171</u>	<u>\$ 4,793,296</u>	<u>\$ 708,675</u>	<u>\$ 385,346</u>	<u>\$ 1,094,021</u>	<u>\$ 5,887,317</u>

The accompanying notes are an integral part of the financial statements

COMMON GROUND COMMUNITIES, INC. AND SUBSIDIARIES
d/b/a COMMUNITY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 6,926,220	\$ 2,112,401
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gain on investments	-	(434)
Depreciation expense	2,190	710
(Increase) decrease in operating assets:		
Contributions receivable, net	(1,307,480)	(1,325,922)
Grants receivable	(5,621)	(176,915)
Note receivable - Northeast Neighborhood Partners Inc. (NNPI)	(50,000)	(300,000)
Other assets	(93,962)	168,414
Due from NNPI	42,958	(158,050)
Due from North Capitol Commons LP	358,353	(358,353)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	68,994	(170,192)
Due to North Capitol Commons LP	559,738	-
Deferred grant revenue	(200,000)	195,000
Net cash provided by (used in) operating activities	6,301,390	(13,341)
Cash Flows from Investing Activities		
Net sales of investments	-	5,618
Purchase of property and equipment	(2,942,856)	(427,100)
Net cash used in investing activities	(2,942,856)	(421,482)
Cash Flows from Financing Activities		
Proceeds from loan payable	1,004,397	358,353
Repayments on loan payable	(158,353)	(200,000)
Payments to reserve accounts	(271,698)	-
Net cash provided by financing activities	574,346	158,353
Net Increase (Decrease) in Cash and Cash Equivalents	3,932,880	(276,470)
Cash and Cash Equivalents - Beginning of Year	1,969,433	2,245,903
Cash and Cash Equivalents - End of Year	\$ 5,902,313	\$ 1,969,433

The accompanying notes are an integral part of the financial statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities - Common Ground Communities, Inc. and Subsidiaries, d/b/a Community Solutions, Inc. (CSI) 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.

During 2014, CSI created Community Solutions 519 Rockaway Ave, Inc., (CS Rockaway) a wholly owned subsidiary of CSI, for the purposes of acquiring and renovating a 14,000 square foot building and lot for administrative offices.

On August 27, 2013, CS North Capitol Commons LLC (CSNCC) was organized with CSI as the sole member. CSNCC holds a noncontrolling, 51% interest in North Capitol Commons GP, LLC, which holds a .009% interest in North Capitol Commons LP (North Capitol Project). The financial statements reflect the activity of CSNCC, however the North Capitol Project does not meet the requirements for consolidation. See Note 9 for further discussion regarding the North Capitol Project.

In 2014, CSI organized Swift Factory LLC (Swift) with CSI as its sole member to hold title and participate in a redevelopment project at 10 and 60 Love Lane in Hartford. During 2014, there was no activity within Swift.

The consolidated financial statements as of December 31, 2014 include the activities of CSI, CS Rockaway and CSNCC, collectively the Organization.

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, 2014 and 2013.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Restricted cash is limited in use to payment of costs related to North Capitol Project, which is further described in Note 9. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 - CSI and CS Rockaway are exempt from federal and state income taxes as public charities under Section 501(c)(3) and (2) of the Internal Revenue Code, respectively. CSNCC and Swift are disregarded entities for federal and state income taxes and are included in the CSI tax return.

Reclassifications - Certain amounts in the 2013 financial statements have been reclassified to conform with the current year's presentation.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through June 15, 2015, which represents the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Building and improvements	\$ 3,355,156	\$ -
Computers and equipment	14,800	7,100
Deposit on purchase of building	-	420,000
	<u>3,369,956</u>	<u>427,100</u>
Less accumulated depreciation	<u>2,900</u>	<u>710</u>
Property and Equipment, Net	<u>\$ 3,367,056</u>	<u>\$ 426,390</u>

Depreciation expense was \$2,190 and \$710 for the years ended December 31, 2014 and 2013, respectively.

In August 2014, CS Rockaway completed the acquisition of a 14,000 square foot building. Deposits of \$420,000 incurred in 2013 have been transferred to building and improvements. Renovations to the building were completed in March, 2015. Costs committed at December 31, 2014 to complete the renovations were approximately \$1,750,000. No building and improvement costs have been depreciated for the year ended December 31, 2014.

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

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable as of December 31, 2014 and 2013, are expected to be collected as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 3,072,941	\$ 2,051,954
Receivable in one to five years	1,153,329	856,635
	<u>4,226,270</u>	<u>2,908,589</u>
Less discount to net present value	<u>51,133</u>	<u>40,932</u>
Net Contributions Receivable	<u>\$ 4,175,137</u>	<u>\$ 2,867,657</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, 2014 and 2013. 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 4 - 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. This loan was paid in full in 2014.

On August 12, 2014, CS Rockaway entered into a loan agreement with the Low Income Investment Fund (LIIF) to assist in the acquisition and renovation of the building described in Note 2. CS Rockaway may draw down funds on this loan up to \$1,320,000. The loan bears interest at 5.75% and is secured by the building. CS Rockaway is currently paying interest on this loan, and upon completion of the building renovations, principal repayments will commence. The outstanding principal balance as of December 31, 2014 is \$1,004,397. In conjunction with this loan, CS Rockaway is required to maintain a replacement reserve and an operating reserve.

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

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes or future periods as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Purpose restrictions:		
North Capitol Project	\$ 4,000,000	\$ -
Brownsville Partnership	2,171,675	2,255,633
100K Homes Campaign/Zero: 2016	899,392	801,655
519 Rockaway	564,710	-
Inspiring Places	310,355	1,473,748
Hartford Community Partnership	225,350	325,038
Knowledge Sharing	153,333	-
Time restrictions	<u>748,929</u>	<u>31,519</u>
Total Temporarily Restricted Net Assets	<u>\$ 9,073,744</u>	<u>\$ 4,887,593</u>

NOTE 6 - 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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Purpose restrictions:		
519 Rockaway	\$ 2,625,631	\$ -
Brownsville Partnership	1,638,573	1,658,605
100K Homes Campaign/Zero: 2016	1,503,425	1,919,293
Inspiring Places	560,163	451,252
Hartford Community Partnership	455,496	387,857
Knowledge Sharing	126,667	-
Time restrictions	<u>485,087</u>	<u>207,533</u>
Total Net Assets Released from Restrictions	<u>\$ 7,395,042</u>	<u>\$ 4,624,540</u>

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

NOTE 7 - 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 \$37,503 and \$36,772 as of December 31, 2014 and 2013, respectively.

NOTE 8 - 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 \$280,558 and \$163,464 for the years ended December 31, 2014 and 2013, respectively.

The Organization recognized donated rent in the amount of \$27,608 as of December 31, 2013. There was no donated rent during the year ended December 31, 2014.

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 \$217,031 and \$108,515 for the years ended December 31, 2014 and 2013, respectively.

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

Year Ending December 31

2015	\$	200,047
2016		201,678
2017		211,324
2018		221,185
2019		226,646
Thereafter		<u>712,513</u>
Total	\$	<u><u>1,773,393</u></u>

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

NOTE 9 - RELATED PARTY TRANSACTIONS

Northeast Neighborhood Partners, Inc. (NNPI)

During the years ended December 31, 2014 and 2013, the Organization paid expenses for Northeast Neighborhood Partners Inc. (NNPI) from advance payments received by the Organization for NNPI. In addition, certain employees of the Organization performed work for NNPI throughout the year. The portion of the employees' salaries allocated to the work performed is charged to NNPI throughout the year. Amounts due to CSI from NNPI related to these transactions were \$168,358 and \$211,316 as of December 31, 2014 and 2013, respectively. Lastly, the President of the Organization is the Secretary of the Board of Directors of NNPI as of December 31, 2014 and 2013.

In August 2014, CSI approved an additional loan of \$200,000 to NNPI for the operation and maintenance of NNPI's 370 Asylum property. As of December 31, 2014, \$50,000 had been advanced to NNPI with respect to this loan. Additionally, NNPI owes CSI \$300,000 related to loan advances from prior years. The total loan balance outstanding as of December 31, 2014 and 2013, was \$350,000 and \$300,000, respectively.

North Capitol Project

The North Capitol Project (Project) is a Washington, D.C., residential project consisting of a new building with a total of 124 low-income housing tax unit apartments intended for use by veterans of the U.S. military. The Project is expected to have a total cost of approximately \$32,650,000, and will be funded by the issuance of short-term tax exempt bonds, equity investments, other federal and local government funding, and two sponsor loans from CSI in the aggregate amount of \$9,270,000, more fully described below. The Project is expected to be completed in 2016.

In 2014, CSNCC as co-managing member, along with an unrelated party, of North Capitol Commons GP LLC, the GP of North Capitol Commons, LP, entered into a series of agreements related to the Project as follows:

- North Capitol Commons LP Amended and Restated Agreement of Limited Partnership
- North Capitol Commons GP LLC Initial Operating Agreement and Amended and Restated Agreement
- Purchase Option and Right of First Refusal Agreement
- Deed of Trust, Security Agreement and Assignment of Leases and Rents

On August 28, 2014, CSI entered into two loan agreements in the amount of \$150,000 (1st Sponsor loan) and \$9,120,000 (2nd Sponsor loan) to provide permanent loan proceeds of \$9,270,000 to assist in funding the Project. To date, CSI has secured \$4,000,000 of private and corporate contributions, \$4,080,000 of Department of General Services (DGS) funds, and \$1,190,000 from the Housing Production Trust Fund (HPTF). As of December 31, 2014, CSI has recorded the private and

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

NOTE 9 - RELATED PARTY TRANSACTIONS (Continued)

corporate contributions of \$4,000,000 as temporarily restricted net assets, pending further delivery to the Project. With respect to the DGS funds, CSI has received \$693,652 of these funds from DGS and has remitted \$133,914 to the Project as of December 31, 2014 and the remaining \$559,738 in January 2015. No funds have been received or remitted with respect to the HPTF.

The 2nd Sponsor loan provides that CSI enter into pledge and assignment agreement assigning Chase Bank, Trustee for the short-term tax exempt bonds funding of the Project, a security interest in certain funds and agreeing to certain conditions for the release of the funds. Such funds, in the amount of \$2,217,313, are recorded as restricted cash on the consolidated statements of financial position as of December 31, 2014.

In conjunction with the \$9,270,000 loan agreement, CSI received an origination fee of \$91,200. Such amount has been recorded as development and management fees on the consolidated statements of activities.

During 2014, North Capitol Commons LP reimbursed CSI \$556,919 for previously advanced predevelopment funds.

CSI, along with an unrelated entity, are co-developers of the Project. As such, CSI is entitled to a developer fee of \$1,290,000, payable in four installments as follows: \$276,235 was paid at initial closing, \$186,234 will be paid upon satisfaction of the conditions to the payment of the Limited Partner of its Third Capital Contribution, \$15,361 will be paid upon satisfaction of the conditions to the payment of the Limited Partner of its Fourth Capital Contribution, and the last payment of \$812,170 will be paid upon satisfaction of the conditions to the payment of the Limited Partner of its Fifth Capital Contribution, of which \$737,531 is anticipated to be deferred and payable out of net cash flow pursuant to the partnership agreement. During 2014, CSI received \$276,235 of such developer fee and is recorded as development and management fees.

On August 28, 2014, CSI entered into a Purchase Option and Right of First Refusal Agreement with North Capitol Commons LP and other unrelated parties.

Grant of Option - North Capitol Commons LP grants to CSI an option to purchase the real estate, fixtures and personal property comprising the Project or associated with the physical operations thereof, owned by North Capitol Commons LP at the time of purchase, after the close of the fifteen year compliance period for the low-income housing tax credit for the Project (the Compliance Period), on the terms and conditions set forth in the agreement.

Grant of Refusal Right - In the event that North Capitol Commons LP receives a bona fide offer to purchase the Project, CSI shall have a right of first refusal to purchase the Property (the Refusal Right) after the close of the Compliance Period, on the terms and conditions set forth in the agreement.

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

NOTE 9 - RELATED PARTY TRANSACTIONS (Continued)

On August 28, 2014, CSI entered into a Leasehold Deed of Trust, Security Agreement and Assignment of Leases and Rents with North Capitol Commons LP. Under the terms of said agreement, North Capitol Commons LP (the Borrower) irrevocably conveyed its right, title and interest in the leases of said property to CSI as collateral for the guaranteed performance by North Capitol Commons LP.

NOTE 10 - SUBSEQUENT EVENT

In 2015, NNPI, a related party, transferred property located at 10 and 60 Love Lane in Hartford, Connecticut, with a book value of \$1,208,521 to Swift Factory LLC. Additionally, NNPI loaned to Swift Factory LLC, \$1,000,000 sourced from a loan from the Connecticut Department of Economic and Community Development for the purpose of environmental work, stabilization work, roof repairs and other needed expenditures to redevelop the property. The loan agreement further provides for the collateral assignment of leases and rents and permits from Swift Factory LLC to NNPI.