

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

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION  
AND AFFILIATES**

December 31, 2015 and 2014

# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of

**Breaking Ground Housing Development Fund Corporation and Affiliates:**

We have audited the accompanying consolidated financial statements of Breaking Ground Housing Development Fund Corporation and Affiliates (collectively, "Breaking Ground"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, changes in net assets and cash flows for the years 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 audits. We did not audit the financial statements of 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 \$275,374,039, or 56% and \$314,892,503, or 68% of consolidated total assets as of December 31, 2015 and 2014, respectively, and total revenues of \$15,041,330, or 28% and \$18,809,968, or 32%, respectively, of consolidated total revenues for the years 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 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 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 Breaking 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 Breaking 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 audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Breaking Ground Housing Development Fund Corporation and Affiliates as of December 31, 2015 and 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as of and for the year ended December 31, 2015, presented within the accompanying consolidated statements, and 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, 2015 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 audits 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

June 30, 2016

# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

## Consolidated Statements of Financial Position

As of December 31, 2015 and 2014, with consolidating information as of December 31, 2015

|                                         | 2015                       |                  |                 | 2014                  |                       |
|-----------------------------------------|----------------------------|------------------|-----------------|-----------------------|-----------------------|
|                                         | Not-for-Profit<br>Entities | Housing Entities | Eliminations    | Consolidated<br>Total | Consolidated<br>Total |
| <b>ASSETS</b>                           |                            |                  |                 |                       |                       |
| <b>CURRENT ASSETS</b>                   |                            |                  |                 |                       |                       |
| Cash                                    | \$ 6,078,931               | \$ 2,831,262     | \$ -            | \$ 8,910,193          | \$ 7,298,908          |
| Lender restricted cash                  | 951,606                    | 531,778          | -               | 1,483,384             | 5,524,637             |
| Contractual reserves                    | 1,906,349                  | 1,819,049        | -               | 3,725,398             | 2,363,381             |
| Accounts receivable, net                | 8,294,007                  | 3,823,945        | (605,180)       | 11,512,772            | 11,635,405            |
| Advances due from affiliates            | 14,908,178                 | 9,005,366        | (23,913,544)    | -                     | -                     |
| Development fees receivable             | 8,101,117                  | -                | (87,291)        | 8,013,826             | 1,422,283             |
| Other assets, net                       | 604,226                    | 1,848,191        | -               | 2,452,417             | 1,412,537             |
| Total current assets                    | 40,844,414                 | 19,859,591       | (24,606,015)    | 36,097,990            | 29,657,151            |
| <b>NONCURRENT ASSETS</b>                |                            |                  |                 |                       |                       |
| Lender restricted cash                  | 1,800,000                  | -                | -               | 1,800,000             | 374,594               |
| Contractual reserves                    | 10,514,098                 | 6,022,550        | -               | 16,536,648            | 18,479,162            |
| Accounts receivable, net                | 11,650,754                 | -                | (649,996)       | 11,000,758            | 8,674,139             |
| Tenant security deposits                | 550,451                    | 609,241          | -               | 1,159,692             | 1,107,224             |
| Development fees receivable             | 13,646,683                 | -                | (9,836,435)     | 3,810,248             | 9,959,489             |
| Affiliate notes and interest receivable | 44,740,784                 | -                | (44,740,784)    | -                     | -                     |
| Investment in housing entities          | 5,880,667                  | -                | (5,880,667)     | -                     | -                     |
| Other assets, net                       | 951,040                    | 1,914,736        | -               | 2,865,776             | 2,726,238             |
| Property and equipment, net             | 55,079,983                 | 373,076,989      | (8,549,047)     | 419,607,925           | 390,136,419           |
| Total noncurrent assets                 | 144,814,460                | 381,623,516      | (69,656,929)    | 456,781,047           | 431,457,265           |
| Total assets                            | \$ 185,658,874             | \$ 401,483,107   | \$ (94,262,944) | \$ 492,879,037        | \$ 461,114,416        |

The accompanying notes are an integral part of these consolidated financial statements.

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2015 and 2014, with consolidating information as of December 31, 2015**

|                                                | 2015                       |                       |                        | 2014                  |                       |
|------------------------------------------------|----------------------------|-----------------------|------------------------|-----------------------|-----------------------|
|                                                | Not-for-Profit<br>Entities | Housing Entities      | Eliminations           | Consolidated<br>Total | Consolidated<br>Total |
| <b>LIABILITIES</b>                             |                            |                       |                        |                       |                       |
| <b>CURRENT LIABILITIES</b>                     |                            |                       |                        |                       |                       |
| Accounts payable and accrued expenses          | \$ 7,252,188               | \$ 1,589,108          | \$ (994,765)           | \$ 7,846,531          | \$ 8,845,412          |
| Construction payable                           | 163,733                    | 4,114,434             | -                      | 4,278,167             | 4,389,106             |
| Accrued interest payable - mortgages and notes | 35,369                     | 25,936                | -                      | 61,305                | 56,424                |
| Advances due to affiliates                     | 9,005,366                  | 14,908,178            | (23,913,544)           | -                     | -                     |
| Deferred revenue                               | 1,735,828                  | -                     | -                      | 1,735,828             | 1,730,681             |
| Project grant advances                         | 506,471                    | -                     | -                      | 506,471               | 506,471               |
| Development fees payable                       | -                          | 8,101,117             | (87,291)               | 8,013,826             | 1,422,283             |
| Mortgages and notes payable                    | <u>800,000</u>             | <u>18,080,937</u>     | <u>-</u>               | <u>18,880,937</u>     | <u>18,764,181</u>     |
| Total current liabilities                      | <u>19,498,955</u>          | <u>46,819,710</u>     | <u>(24,995,600)</u>    | <u>41,323,065</u>     | <u>35,714,558</u>     |
| <b>NONCURRENT LIABILITIES</b>                  |                            |                       |                        |                       |                       |
| Security deposits                              | 602,961                    | 607,954               | -                      | 1,210,915             | 1,220,191             |
| Other liabilities                              | 1,183,402                  | 1,159,539             | (649,996)              | 1,692,945             | 1,813,905             |
| Construction payable                           | -                          | 3,943,252             | -                      | 3,943,252             | 2,267,578             |
| Accrued interest payable - mortgages and notes | 903,094                    | 9,840,412             | -                      | 10,743,506            | 8,328,736             |
| Deferred revenue                               | 3,086,895                  | -                     | (1,310,000)            | 1,776,895             | 1,554,402             |
| Project grant advances                         | 20,576,864                 | -                     | -                      | 20,576,864            | 11,373,059            |
| Development fees payable                       | -                          | 13,646,683            | (9,836,435)            | 3,810,248             | 10,707,534            |
| Affiliate notes and interest payable           | -                          | 44,740,784            | (44,740,784)           | -                     | -                     |
| Mortgages and notes payable                    | <u>56,739,189</u>          | <u>218,724,219</u>    | <u>-</u>               | <u>275,463,408</u>    | <u>249,829,976</u>    |
| Total noncurrent liabilities                   | <u>83,092,405</u>          | <u>292,662,843</u>    | <u>(56,537,215)</u>    | <u>319,218,033</u>    | <u>287,095,381</u>    |
| Total liabilities                              | <u>102,591,360</u>         | <u>339,482,553</u>    | <u>(81,532,815)</u>    | <u>360,541,098</u>    | <u>322,809,939</u>    |
| Commitments and contingencies                  |                            |                       |                        |                       |                       |
| <b>NET ASSETS</b>                              |                            |                       |                        |                       |                       |
| Unrestricted                                   |                            |                       |                        |                       |                       |
| Controlling interest                           | 73,498,220                 | 2,832,520             | (12,730,129)           | 63,600,611            | 66,445,058            |
| Noncontrolling interest                        | -                          | 59,168,034            | -                      | 59,168,034            | 62,780,182            |
| Temporarily restricted                         | <u>9,569,294</u>           | <u>-</u>              | <u>-</u>               | <u>9,569,294</u>      | <u>9,079,237</u>      |
| Total net assets                               | <u>83,067,514</u>          | <u>62,000,554</u>     | <u>(12,730,129)</u>    | <u>132,337,939</u>    | <u>138,304,477</u>    |
| Total liabilities and net assets               | <u>\$ 185,658,874</u>      | <u>\$ 401,483,107</u> | <u>\$ (94,262,944)</u> | <u>\$ 492,879,037</u> | <u>\$ 461,114,416</u> |

*The accompanying notes are an integral part of these consolidated financial statements.*

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**  
**Consolidated Statements of Activities**  
**For the years ended December 31, 2015 and 2014, with consolidating information for the year ended December 31, 2015**

|                                                                                             | 2015                       |                   |                    | 2014                  |                       |
|---------------------------------------------------------------------------------------------|----------------------------|-------------------|--------------------|-----------------------|-----------------------|
|                                                                                             | Not-for-Profit<br>Entities | Housing Entities  | Eliminations       | Consolidated<br>Total | Consolidated<br>Total |
| <b>UNRESTRICTED NET ASSETS</b>                                                              |                            |                   |                    |                       |                       |
| Unrestricted revenues and support:                                                          |                            |                   |                    |                       |                       |
| Contributions                                                                               | \$ 2,436,109               | \$ -              | \$ -               | \$ 2,436,109          | \$ 1,815,282          |
| Government grants and contracts                                                             | 18,608,339                 | -                 | -                  | 18,608,339            | 19,917,450            |
| Management and partnership fees                                                             | 1,620,919                  | -                 | (1,399,490)        | 221,429               | 195,218               |
| Development fees                                                                            | 1,822,376                  | -                 | (641,847)          | 1,180,529             | 4,984,448             |
| Rental income                                                                               | 10,040,453                 | 18,109,738        | (1,508,464)        | 26,641,727            | 26,159,211            |
| Other income                                                                                | 2,248,349                  | 1,112,004         | (713,947)          | 2,646,406             | 3,386,188             |
| Net assets released from restrictions                                                       | 2,108,108                  | -                 | -                  | 2,108,108             | 1,555,582             |
| <b>Total revenues and support</b>                                                           | <b>38,884,653</b>          | <b>19,221,742</b> | <b>(4,263,748)</b> | <b>53,842,647</b>     | <b>58,013,379</b>     |
| Expenses:                                                                                   |                            |                   |                    |                       |                       |
| Social services                                                                             | 20,089,749                 | -                 | (179,402)          | 19,910,347            | 22,229,921            |
| Housing management and development                                                          | 1,718,925                  | -                 | -                  | 1,718,925             | 1,611,486             |
| Affordable housing operations                                                               | 5,347,186                  | 17,168,296        | (2,827,960)        | 19,687,522            | 20,485,534            |
| General and administrative                                                                  | 8,132,561                  | -                 | -                  | 8,132,561             | 6,330,173             |
| Fundraising                                                                                 | 662,214                    | -                 | -                  | 662,214               | 783,447               |
| Depreciation and amortization                                                               | 2,350,954                  | 9,440,688         | (215,397)          | 11,576,245            | 11,865,171            |
| Interest and service fees                                                                   | 578,671                    | 2,360,624         | (615,445)          | 2,323,850             | 2,279,088             |
| <b>Total expenses</b>                                                                       | <b>38,880,260</b>          | <b>28,969,608</b> | <b>(3,838,204)</b> | <b>64,011,664</b>     | <b>65,584,820</b>     |
| Change in net assets before other non-recurring items                                       | 4,393                      | (9,747,866)       | (425,544)          | (10,169,017)          | (7,571,441)           |
| Other non-recurring items:                                                                  |                            |                   |                    |                       |                       |
| New York State Brownfield redevelopment expense,<br>net of federal tax expense of \$169,212 | (346,518)                  | -                 | -                  | (346,518)             | -                     |
| Gain on forgiveness of project grant advance                                                | 330,000                    | -                 | -                  | 330,000               | 330,000               |
| Decrease in unrestricted net assets                                                         | (12,125)                   | (9,747,866)       | (425,544)          | (10,185,535)          | (7,241,441)           |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>                                                    |                            |                   |                    |                       |                       |
| Temporarily restricted revenues and support                                                 |                            |                   |                    |                       |                       |
| Contributions                                                                               | 2,598,165                  | -                 | -                  | 2,598,165             | 1,135,720             |
| Net assets released from restrictions                                                       | (2,108,108)                | -                 | -                  | (2,108,108)           | (1,555,582)           |
| <b>Increase (decrease) in temporarily restricted net assets</b>                             | <b>490,057</b>             | <b>-</b>          | <b>-</b>           | <b>490,057</b>        | <b>(419,862)</b>      |
| Change in net assets                                                                        | 477,932                    | (9,747,866)       | (425,544)          | (9,695,478)           | (7,661,303)           |
| Excess of expenses over revenues and support attributable<br>to noncontrolling interests    | -                          | 9,050,085         | -                  | 9,050,085             | 9,632,251             |
| Excess (deficiency) of revenues and support over expenses                                   | \$ 477,932                 | \$ (697,781)      | \$ (425,544)       | \$ (645,393)          | \$ 1,970,948          |

*The accompanying notes are an integral part of these consolidated financial statements.*

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**  
**Consolidated Statements of Changes in Net Assets**  
**For the years ended December 31, 2015 and 2014**

|                                                                                           | Unrestricted Net Assets |                      |                       | Temporarily<br>Restricted<br>Net Assets | Consolidated<br>Total |
|-------------------------------------------------------------------------------------------|-------------------------|----------------------|-----------------------|-----------------------------------------|-----------------------|
|                                                                                           | Controlling             | Noncontrolling       | Total                 |                                         |                       |
| <b>Beginning balance, January 1, 2014</b>                                                 | \$ 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 Breaking Ground | <u>2,390,810</u>        | <u>-</u>             | <u>2,390,810</u>      | <u>(419,862)</u>                        | <u>1,970,948</u>      |
| <b>Ending balance, December 31, 2014</b>                                                  | \$ 66,445,058           | \$ 62,780,182        | \$ 129,225,240        | \$ 9,079,237                            | \$ 138,304,477        |
| Contributions from investors                                                              | -                       | 3,728,940            | 3,728,940             | -                                       | 3,728,940             |
| Contributions from Managing Member                                                        | (1,708,997)             | 1,708,997            | -                     | -                                       | -                     |
| Excess of expenses over revenue and support attributable to noncontrolling interests      | -                       | (9,050,085)          | (9,050,085)           | -                                       | (9,050,085)           |
| (Deficiency) excess of revenues and support over expenses                                 | <u>(1,135,450)</u>      | <u>-</u>             | <u>(1,135,450)</u>    | <u>490,057</u>                          | <u>(645,393)</u>      |
| <b>Ending balance, December 31, 2015</b>                                                  | <u>\$ 63,600,611</u>    | <u>\$ 59,168,034</u> | <u>\$ 122,768,645</u> | <u>\$ 9,569,294</u>                     | <u>\$ 132,337,939</u> |

*The accompanying notes are an integral part of these consolidated financial statements.*



# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

## Consolidated Statements of Cash Flows For the years ended December 31, 2015 and 2014

|                                                                                             | <u>2015</u>         | <u>2014</u>         |
|---------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                 |                     |                     |
| Change in net assets                                                                        | \$ (9,695,478)      | \$ (7,661,303)      |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                     |
| Depreciation and amortization                                                               | 11,576,245          | 11,865,171          |
| Gain on forgiveness of project grant advance                                                | (330,000)           | (330,000)           |
| (Increase) decrease in operating assets:                                                    |                     |                     |
| Accounts receivable, net                                                                    | (2,203,986)         | (3,620,789)         |
| Other assets, net                                                                           | (1,280,303)         | (50,910)            |
| Tenant security deposits                                                                    | (52,468)            | 29,121              |
| Development fees receivable                                                                 | (442,302)           | (2,737,711)         |
| Increase (decrease) in operating liabilities:                                               |                     |                     |
| Accounts payable and accrued expenses                                                       | (998,881)           | (591,893)           |
| Security deposits                                                                           | (9,276)             | 11,883              |
| Other liabilities                                                                           | (120,960)           | 87,728              |
| Accrued interest payable - mortgages and notes                                              | 2,419,651           | 1,747,873           |
| Deferred revenue                                                                            | 227,640             | 1,154,256           |
| Project grant advances                                                                      | 9,533,805           | (251,754)           |
| Development fees payable                                                                    | (305,743)           | 2,737,713           |
| Net cash provided by operating activities                                                   | <u>8,317,944</u>    | <u>2,389,385</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                 |                     |                     |
| Change in lender restricted cash                                                            | 2,615,847           | (1,525,472)         |
| Change in contractual reserves                                                              | 580,497             | (1,318,754)         |
| Payments on construction payable                                                            | (21,403,371)        | (21,114,021)        |
| Capital expenditures                                                                        | (17,978,760)        | (18,782,005)        |
| Net cash used in investing activities                                                       | <u>(36,185,787)</u> | <u>(42,740,252)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                 |                     |                     |
| Capital contributions received from investors                                               | 3,728,940           | 1,465,700           |
| Proceeds from loans                                                                         | 43,519,762          | 41,554,554          |
| Repayments of loans                                                                         | (17,769,574)        | (3,112,113)         |
| Net cash provided by financing activities                                                   | <u>29,479,128</u>   | <u>39,908,141</u>   |
| Net increase (decrease) in cash                                                             | 1,611,285           | (442,726)           |
| Cash, beginning of year                                                                     | <u>7,298,908</u>    | <u>7,741,634</u>    |
| Cash, end of year                                                                           | <u>\$ 8,910,193</u> | <u>\$ 7,298,908</u> |
| Supplemental disclosure of information:                                                     |                     |                     |
| Cash paid for interest                                                                      | \$ 736,950          | \$ 902,955          |
| Supplemental schedule of non-cash investing and financing activities:                       |                     |                     |
| Capital expenditures included in construction payable                                       | \$ 22,968,106       | \$ 23,905,031       |

*The accompanying notes are an integral part of these consolidated financial statements.*

# **BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

**December 31, 2015 and 2014**

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### **1. DESCRIPTION OF ORGANIZATION AND MISSION**

Breaking Ground Housing Development Fund Corporation and Affiliates (collectively, “Breaking Ground” or the “Organization”) consists of not-for-profit housing development fund corporations (“H.D.F.C.”s) as well as for-profit limited partnerships (“LP”s) and limited liability corporations (“LLC”s). All Breaking Ground entities are affiliated, under common board control and have been formed as support to further the Organizations objectives. Effective October 22, 2015, the Organization changed its name from Common Ground Community H.D.F.C., Inc., which was organized on October 11, 1990, to Breaking Ground Housing Development Fund Corporation. Hereinafter, all references and events occurring prior to October 22, 2015, pertaining to Common Ground H.D.F.C., Inc. have been changed to Breaking Ground in the accompanying consolidated financial statements and notes thereto.

Breaking Ground’s mission is to strengthen individuals, families, and communities by developing and sustaining exceptional supportive and affordable housing, as well as, offering programs for homeless and other vulnerable persons. Breaking Ground’s network of well-designed, safe, and affordable apartments are linked to services that enable residents to maintain housing, restore health, and regain economic independence.

For chronically homeless individuals, Breaking Ground creates safe, secure housing, with onsite support services to help address the mental and physical health problems that are obstacles to independent living. For individuals who find themselves at the edge of homelessness, Breaking 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, Breaking 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, Breaking 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 and Willimantic, Connecticut and Rochester, New York. Breaking 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.

The following paragraphs summarize the entities comprising Breaking Ground, all of which are consolidated within the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). All H.D.F.C. entities of Breaking 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.

Breaking Ground Housing Development Fund Corporation (“BG”) is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). BG was formed for the charitable purpose of rehabilitating, maintaining, and operating low-income housing projects and providing related social service programs to individuals residing in the buildings. BG 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.

# **BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

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BG is the GP or controlling member and owns the H.D.F.C. for the following LPs: Schermerhorn L.P., and St. Marks Brownsville L.P., each of which have obtained their own Section 501(c)(3) tax-exempt status. In October 2009, BG received a charitable contribution of a limited partnership interest in the T.S. Hotel Limited Partnership. This donation resulted in BG obtaining a full ownership interest in this property and recording a step-up in the basis of the property totaling 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 BG.

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 and H.D.F.C. 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, 1630 Dewey Avenue LLC, Boston Road Housing L.P., Webster Avenue Affordable LLC, Webster Avenue Supportive LLC, One Riverside Park H.D.F.C., 10 Freedom Place H.D.F.C., and 1766-68 Second Avenue H.D.F.C. Several of the aforementioned entities have obtained their own Section 501(c)(3) tax-exempt status. 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.

Breaking Ground III H.D.F.C. (“BG 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. BG III was formed for the charitable purpose of operating a housing project at 206 West 24<sup>th</sup> 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.

# **BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

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Breaking Ground IV H.D.F.C. (“BG 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. BG IV was formed for the charitable purpose of owning, rehabilitating, and operating a housing project at 197 Bowery, New York City (the “Andrews”). BG IV provides an emergency Safe Haven 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 was 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. On March 27, 2015, CGVC ceased operations and was dissolved.

Common Ground Jobs Training Corp. (“CGJTC”), was organized on January 25, 1993, under Section 402 of the NFPCL. CGJTC currently operates as a private foundation exempt from income taxes under Section 501(c)(3) of the IRC. CGJTC is subject to excise taxes on its net revenue derived from investment activities. CGJTC operates the Prince George Ballroom and the commercial space at that building.

Common Ground Management Corp. d/b/a Breaking Ground Management (“BGM”) was organized on January 26, 1995, under Section 402 of the NFPCL. BGM is a not-for-profit charitable organization exempt from income and excise taxes under Section 501(c)(3) of the IRC. BGM was formed for the charitable purpose of managing low-income housing projects. It is also the central disbursement agent for all Breaking 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 Breaking Ground’s scatter-site housing activities. All leases of CGRC were reassigned to BGM on November 10, 2014. On August 19, 2015, CGRC ceased operations and was dissolved.

# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

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Breaking 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 Breaking 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:

| <b>Limited Partnership/<br/>Limited Liability Corporation</b> | <b>General Partner/Managing Member</b>           |
|---------------------------------------------------------------|--------------------------------------------------|
| 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 BG, CGC II, BG III, BG IV, CGVC, CGJTC, BGM, CGRC (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 Breaking Ground or its affiliated Not-for-Profit Entities, or those entities over which Breaking Ground exercises significant influence, are included in the accompanying consolidated financial statements. The GP interests held by Breaking 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 Breaking Ground owns 100% of the associated LP. The portion of the Housing Entities not controlled by Breaking Ground or its affiliated entities is presented in the accompanying

# **BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

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consolidated financial statements as noncontrolling interest. All intercompany transactions and accounts between the Housing Entities have been eliminated in consolidation.

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 Breaking 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 Breaking 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 Breaking 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. There were no permanently restricted net assets as of December 31, 2015 and 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.

### **Cash**

Cash consists of cash on deposit with banks. Breaking 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. Breaking 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 Breaking Ground to potential concentrations of credit and market risks consist primarily of cash and restricted reserves. All such instruments are maintained at reputable financial

# **BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

### **December 31, 2015 and 2014**

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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.

#### **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, of development fees received, is classified as deferred revenue in the accompanying consolidated statements of financial position. Development fees are paid by the respective Housing Entities to Breaking 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 statements 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 Breaking Ground and the GP of 1630 Dewey Avenue LLC, earned a New York State Brownfield redevelopment tax credit ("incentive income"). Applicable federal income taxes totaling \$1,081,088 and \$1,250,330, respectively, have been accrued and are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position as of December 31, 2015 and 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 statements 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, 2015 and 2014 totaled \$11,824,074 and \$11,381,772, respectively.

# **BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

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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. Breaking Ground determines its allowance by considering a number of factors, including the length of time receivables are past due, Breaking 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. Breaking 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, 2015 and 2014 totaled \$252,686 and \$197,007, respectively.

### **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). Breaking 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.



# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

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### Property and Equipment, net

Property and equipment are recorded at cost or fair value at the date of contribution, if donated. Property and equipment costing greater than \$10,000 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 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

Breaking 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 years ended December 31, 2015 and 2014, respectively.

### Deferred Rent

Breaking 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, Breaking 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 statements of activities based on an analysis made by management, with the exception of depreciation and amortization and interest and service fees (Note 11).

### Income Taxes

Breaking 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

# **BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

**December 31, 2015 and 2014**

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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.

Breaking 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. Breaking Ground has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and 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, 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes. Breaking 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.

### **Reclassification of Prior Year Presentation**

Certain information in the fiscal 2014 consolidated financial statements has been reclassified to conform to the fiscal 2015 presentation. There were no changes in total assets, liabilities, revenues, expenses or changes in net assets as reflected in the fiscal 2014 consolidated financial statements.

# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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### 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, as of December 31, 2015 and 2014, respectively, consisted of the following:

|                                                    | <u>2015</u>          | <u>2014</u>          |
|----------------------------------------------------|----------------------|----------------------|
| Note receivable                                    | \$ 10,966,787        | \$ 8,014,952         |
| Government grants and contracts                    | 5,028,374            | 4,277,822            |
| New York State Brownfield redevelopment tax credit | 589,890              | 3,695,452            |
| Housing entity receivables                         | 3,572,120            | 2,422,281            |
| Contributions receivable                           | 1,198,317            | 605,799              |
| Tenant accounts receivables                        | 422,510              | 468,965              |
| Other                                              | <u>988,218</u>       | <u>1,021,280</u>     |
| Accounts receivable, gross                         | 22,766,216           | 20,506,551           |
| Less: Allowance for doubtful accounts              | <u>(252,686)</u>     | <u>(197,007)</u>     |
| Accounts receivable, net                           | <u>\$ 22,513,530</u> | <u>\$ 20,309,544</u> |

### 4. LENDER RESTRICTED CASH AND CONTRACTUAL RESERVES

Under the terms of the various partnership agreements and mortgage loans, Breaking 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 Breaking 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, 2015 and 2014, respectively, consisted of the following:

|                           | <u>2015</u>          | <u>2014</u>          |
|---------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 10,515,712        | \$ 11,312,646        |
| Certificate of deposit    | 1,800,000            | 1,800,000            |
| Treasury bills            | <u>11,229,718</u>    | <u>13,629,128</u>    |
| Total                     | <u>\$ 23,545,430</u> | <u>\$ 26,741,774</u> |

# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

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Breaking Ground's lender restricted cash and contractual reserves classified within the fair value hierarchy as of December 31, 2015 and 2014, respectively, consisted of the following:

|                           | <u>2015</u>          |                      |
|---------------------------|----------------------|----------------------|
|                           |                      | <u>Total</u>         |
| Cash and cash equivalents |                      | \$ 10,515,712        |
|                           | <u>Level 2</u>       |                      |
| Certificate of deposit    | \$ 1,800,000         | 1,800,000            |
| Treasury bills            | <u>11,229,718</u>    | <u>11,229,718</u>    |
| Total                     | <u>\$ 13,029,718</u> | <u>\$ 23,545,430</u> |
|                           | <u>2014</u>          |                      |
|                           |                      | <u>Total</u>         |
| Cash and cash equivalents |                      | \$ 11,312,646        |
|                           | <u>Level 2</u>       |                      |
| Certificate of deposit    | \$ 1,800,000         | 1,800,000            |
| Treasury bills            | <u>13,629,128</u>    | <u>13,629,128</u>    |
| Total                     | <u>\$ 15,429,128</u> | <u>\$ 26,741,774</u> |

Breaking Ground did not have any lender restricted cash or contractual reserves classified as Level 1 or Level 3 as of December 31, 2015 and 2014, respectively.

Interest income for the years ended December 31, 2015 and 2014, totaled \$18,284 and \$15,894, respectively and is recorded as other income within the consolidated statements of activities. Contractual reserve fees for the years ended December 31, 2015 and 2014, totaled \$74,077 and \$65,608, respectively.

### 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, as of December 31, 2015 and 2014, respectively, consisted of the following:

|                                   | <u>2015</u>           | <u>2014</u>           |
|-----------------------------------|-----------------------|-----------------------|
| Buildings and improvements        | \$ 374,029,602        | \$ 374,829,105        |
| Leasehold improvements            | 4,855,860             | 5,385,147             |
| Furniture and equipment           | 15,742,688            | 15,670,790            |
| Land                              | 41,620,593            | 41,234,608            |
| Land improvements                 | <u>6,770,235</u>      | <u>6,770,235</u>      |
|                                   | 522,319,197           | 481,965,561           |
| Less: Accumulated depreciation    | (102,711,272)         | (91,829,142)          |
| Construction-in-progress          | <u>79,300,219</u>     | <u>38,075,676</u>     |
| Total property and equipment, net | <u>\$ 419,607,925</u> | <u>\$ 390,136,419</u> |

# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

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Depreciation and amortization expense totaled \$11,576,245 and \$11,865,171 for the years ended December 31, 2015 and 2014, respectively. Ongoing construction-in-progress projects relating to Boston Road, Park House, and Webster Residences are expected to be completed in 2016, 2017, and 2017, respectively, with approximately \$6,980,000, \$50,388,000, and \$53,445,000 of additional capital 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 statements of financial position follows:

|                                              | <u>2015</u>          | <u>2014</u>          | <u>Maturity<br/>Date</u> | <u>Interest<br/>Rate</u> |
|----------------------------------------------|----------------------|----------------------|--------------------------|--------------------------|
| Federal Home Loan Bank for:                  |                      |                      |                          |                          |
| BG - St. Marks Brownsville L.P.              | \$ 1,080,000         | \$ 1,080,000         | 11/26/2023               | 0 %                      |
| BG - Schermerhorn L.P.                       | 675,000              | 675,000              | 12/29/2035               | 0 %                      |
| BG - Brook Avenue Housing L.P.               | 1,500,000            | 1,500,000            | 9/16/2025                | 0 %                      |
| BG - Hegeman Avenue Housing L.P.             | 1,650,000            | 1,650,000            | 6/9/2025                 | 0 %                      |
| BG - Chelsea Residence Limited Partnership   | 1,000,000            | 1,000,000            | 1/16/2033                | 0 %                      |
| CGC II - 1630 Dewey Avenue LLC               | 299,990              | 299,990              | 9/30/2025                | 0 %                      |
| CGC II - Pitt Street L.P.                    | 1,000,000            | 1,000,000            | 12/28/2021               | 0 %                      |
| BG IV - Andrews                              | 500,000              | 500,000              | 4/17/2024                | 0 %                      |
| New York State Office of Mental Health:      |                      |                      |                          |                          |
| BG - Webster Avenue Affordable LLC           | 5,600,000            | -                    | 11/11/2019               | 0 %                      |
| BG - Webster Avenue Supportive LLC           | 4,110,274            | -                    | 4/30/2020                | 0 %                      |
| CGC II - Prince George Associates, L.P.      | 660,000              | 990,000              | 1/31/2018                | 0 %                      |
| BG - Neighborhood Stabilization Program      | 2,134,118            | 2,310,587            | 6/9/2027                 | 0 %                      |
| CGC II - HOME Investment Partnership Program | 573,953              | 573,953              | 8/31/2040                | 0 %                      |
| CGC II - HUD Continuum of Care               | 300,000              | 300,000              | 9/30/2040                | 0 %                      |
| Total project grant advances                 | <u>\$ 21,083,335</u> | <u>\$ 11,879,530</u> |                          |                          |

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**  
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**7. MORTGAGES AND NOTES PAYABLE**

The various debt obligations outstanding as presented in the accompanying consolidated statements of financial position as of December 31, 2015 and 2014, respectively, consisted of the following:

| Entity                                              | Lender                                         | 2015         | 2014       | Final Maturity Date | Interest Rate        |
|-----------------------------------------------------|------------------------------------------------|--------------|------------|---------------------|----------------------|
| BG                                                  | Mizuho Bank (USA)                              | \$ 3,468,269 | \$ -       | 10/16/2017          | LIBOR plus 1.5%      |
| BG                                                  | Mizuho Bank (USA)                              | -            | 2,731,267  | 10/23/2015          | LIBOR plus 1.5%      |
| BG                                                  | van Ameringen Foundation                       | 1,000,000    | 1,000,000  | 8/1/2019            | 2%                   |
| BG                                                  | Deutsche Bank Americas Foundation              | -            | 25,000     | 7/31/2015           | Non-interest bearing |
| BG                                                  | JPMorgan Chase Bank, N.A.                      | -            | 1,949,000  | 9/30/2016           | 3.00%                |
| BG                                                  | US Department of Housing and Urban Development | 10,966,787   | 8,014,950  | 12/1/2054           | 0%                   |
| BG                                                  | Wells Fargo Community Investment Holdings      | 600,000      | 600,000    | 12/26/2020          | 2%                   |
| T.S. Hotel LLC                                      | NYC Department of HPD                          | 17,859,751   | 17,859,751 | 5/15/2025           | 1%                   |
| T.S. Hotel LLC                                      | NYC Department of HPD                          | 10,990,354   | 10,990,354 | 7/1/2041            | 1%                   |
| BG IV                                               | NYC Department of HPD                          | 2,770,233    | 2,770,233  | 1/5/2040            | 1%                   |
| BG IV                                               | NYS Homeless Housing Assistance Corporation    | 5,698,300    | 5,698,300  | 1/5/2040            | 1%                   |
| BG IV                                               | NYC Department of HPD - Reso A                 | 925,698      | 925,698    | 1/5/2040            | 1%                   |
| BG IV                                               | MacArthur Foundation                           | 2,000,000    | 2,000,000  | 10/1/2018           | 2%                   |
| BG IV                                               | NYS Housing Finance Agency                     | 581,000      | 581,000    | 1/5/2040            | Non-interest bearing |
| CGC II                                              | Supportive Housing Solutions Fund LLC          | 500,000      | 160,500    | 10/1/2016           | 6.50%                |
| CGC II                                              | Supportive Housing Solutions Fund LLC          | 178,795      | -          | 9/1/2017            | 6%                   |
| Webster Avenue Housing Development Fund Corporation | 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   | 12,606,976 | 11/1/2028           | 1%                   |
| Prince George Associates, L.P.                      | NYS Homeless Housing Assistance Corporation    | 4,000,000    | 4,000,000  | 11/1/2029           | 1%                   |
| Chelsea Residence Limited Partnership               | NYC Department of HPD                          | 16,585,353   | 16,259,308 | 5/15/2035           | 0.10%                |
| Chelsea Residence Limited Partnership               | NYS Homeless Housing Assistance Corporation    | 5,469,414    | 5,469,414  | 11/1/2029           | 1%                   |
| Schermerhorn L.P.                                   | NYS Homeless Housing Assistance Corporation    | 6,749,800    | 6,749,800  | 4/30/2039           | 1%                   |
| Schermerhorn L.P.                                   | NYC Department of HPD                          | 19,711,934   | 19,711,934 | 4/29/2038           | 1%                   |
| Pitt Street L.P.                                    | NYC Department of HPD                          | 24,670,000   | 24,670,000 | 9/1/2041            | 1%                   |
| Pitt Street L.P.                                    | NYS Homeless Housing Assistance Corporation    | 6,520,758    | 6,520,758  | 12/28/2040          | 1%                   |

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**  
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| <u>Entity</u>                        | <u>Lender</u>                               | <u>2015</u>   | <u>2014</u>   | <u>Final Maturity Date</u> | <u>Interest Rate</u>                                        |
|--------------------------------------|---------------------------------------------|---------------|---------------|----------------------------|-------------------------------------------------------------|
| Brook Avenue Housing L.P.            | NYC Department of HPD                       | \$ 17,600,000 | \$ 17,600,000 | 11/1/2040                  | 1%                                                          |
| Brook Avenue Housing L.P.            | NYS Homeless Housing Assistance Corporation | 3,500,000     | 3,500,000     | 12/20/2039                 | 1%                                                          |
| St. Marks Brownsville L.P.           | NYS Homeless Housing Assistance Corporation | 1,803,300     | 1,803,300     | 3/29/2051                  | 1%                                                          |
| St. Marks Brownsville L.P.           | NYC Department of HPD - Reso A              | 750,000       | 750,000       | 11/26/2050                 | Non-interest bearing                                        |
| 410 Asylum Street, LLC               | State of Connecticut                        | 2,000,000     | 2,000,000     | 3/27/2038                  | 1%                                                          |
| 410 Asylum Street, LLC               | City of Hartford                            | 316,949       | 327,234       | 9/1/2042                   | 1%                                                          |
| 410 Asylum Street, LLC               | Connecticut Housing Finance Authority       | 3,840,623     | 3,940,911     | 2/1/2043                   | 5.25%                                                       |
| 410 Asylum Street, LLC               | Connecticut Housing Finance Authority       | 6,073,808     | 6,073,808     | 3/1/2041                   | Non-interest bearing                                        |
| Hegeman Avenue Housing L.P.          | NYC Department of HPD                       | 17,850,000    | 17,850,000    | 12/22/2042                 | 1%                                                          |
| Hegeman Avenue Housing L.P.          | NYS Homeless Housing Assistance Corporation | 5,580,554     | 5,580,554     | 12/8/2039                  | 1%                                                          |
| Hegeman Avenue Housing L.P.          | NYS Housing Finance Agency                  | 910,209       | 910,209       | 5/1/2040                   | 1%                                                          |
| Common Ground Cedarwoods Housing LLC | Connecticut Housing Finance Authority       | 5,701,488     | 5,701,488     | 10/1/2060                  | Non-interest bearing                                        |
| Common Ground Cedarwoods Housing LLC | State of Connecticut                        | 3,430,000     | 3,430,000     | 12/15/2060                 | Non-interest bearing                                        |
| 1630 Dewey Avenue LLC                | NYS Homeless Housing Assistance Corporation | 2,782,422     | 3,000,000     | 1/14/2043                  | 1%                                                          |
| 1630 Dewey Avenue LLC                | JPMorgan Chase Bank, N.A.                   | -             | 2,630,152     | n/a                        | LIBOR plus 2.5%                                             |
| 1630 Dewey Avenue LLC                | Housing Trust Fund Corporation              | 1,681,494     | -             | 8/3/2045                   | 1%                                                          |
| Boston Road Housing L.P.             | NYC Department of HPD                       | 4,559,564     | 632,616       | 4/27/2046                  | 0% until conversion, 1% from conversion to maturity         |
| Boston Road Housing L.P.             | NYC Department of HPD                       | 778,965       | -             | 4/27/2046                  | Non-interest bearing                                        |
| Boston Road Housing L.P.             | NYS Homeless Housing Assistance Corporation | 3,506,822     | 3,275,822     | 6/26/2043                  | 1%                                                          |
| Boston Road Housing L.P.             | NYS Housing Finance Agency                  | 23,856,718    | 22,814,000    | 7/1/2046                   | 2% Short term, 4.5% Long term                               |
| Boston Road Housing L.P.             | NYS Housing Finance Agency                  | 5,996,573     | 4,453,358     | 7/1/2046                   | 6% until SONYMA Mortgage Insurance Policy obtained, then 1% |

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**  
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| <u>Entity</u>                     | <u>Lender</u>                               | <u>2015</u>           | <u>2014</u>           | <u>Final Maturity Date</u>                   | <u>Interest Rate</u>               |
|-----------------------------------|---------------------------------------------|-----------------------|-----------------------|----------------------------------------------|------------------------------------|
| Webster Avenue Affordable LLC     | NYC Department of HPD                       | \$ 3,949,837          | \$ -                  | 30 years following<br>LOC release            | 0.75%                              |
| Webster Avenue Affordable LLC     | NYS Homeless Housing Assistance Corporation | 1,400,000             | -                     | 30 years                                     | Non-interest bearing               |
| Webster Avenue Affordable LLC     | NYC Housing Development Corporation         | 12,168,664            | -                     | 7/31/2048                                    | 2.1% Short term, 5.7%<br>Long term |
| Webster Avenue Affordable LLC     | NYC Housing Development Corporation         | 3,949,838             | -                     | 7/31/2048                                    | 1%                                 |
| Webster Avenue Supportive LLC     | NYC Department of HPD                       | 2,610,069             | -                     | 10/31/2018 or 30 years<br>after conversion   | 0.25%                              |
| Webster Avenue Supportive LLC     | NYS Housing Finance Agency                  | <u>3,893,026</u>      | <u>-</u>              | Short term, 9/1/2019,<br>Long term, 7/1/2048 | 2% Short term, 4.75% Long<br>term  |
| Total mortgages and notes payable |                                             | <u>\$ 294,344,345</u> | <u>\$ 268,594,157</u> |                                              |                                    |



# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

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The following scheduled future principal payments are as follows:

| Year Ending December 31, | <u>Amount</u>         |
|--------------------------|-----------------------|
| 2016                     | \$ 18,880,937         |
| 2017                     | 5,152,923             |
| 2018                     | 3,892,130             |
| 2019                     | 4,426,347             |
| 2020                     | 109,645               |
| Thereafter               | <u>261,882,363</u>    |
|                          | <u>\$ 294,344,345</u> |

All loans made to Breaking 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, 2015 and 2014, respectively, Breaking 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 Breaking Ground a deferral of its obligation to deposit the appropriate funding within the Project Operating Reserve Account to a date after December 31, 2016, which is to be agreed upon by the lender and Breaking Ground and formalized in documents acceptable to the lender. Breaking Ground was in compliance with all other financial and operating covenants at December 31, 2015 and 2014, respectively.

Interest and service fees totaling \$2,323,850 and \$2,279,088 were recorded and expensed for the years ended December 31, 2015 and 2014, respectively.

### 8. GOVERNMENT GRANTS AND CONTRACTS

Government grants and contracts revenue received by Breaking Ground from various Federal, New York City and state government agencies for the years ended December 31, 2015 and 2014, respectively, consisted of the following:

|                                                       | <u>2015</u>          | <u>2014</u>          |
|-------------------------------------------------------|----------------------|----------------------|
| NYC Department of Homeless Services                   | \$ 11,388,025        | \$ 12,168,462        |
| NYC HIV/AIDS Service Administration                   | 2,646,249            | 2,891,526            |
| NYS Department of Health and Mental Hygiene           | 2,238,032            | 2,173,793            |
| US Department of Veteran Affairs                      | 1,393,215            | 1,444,433            |
| US Department of Housing and Urban Development        | 545,896              | 850,591              |
| NYS Office of Temporary and Disability Assistance     | 297,600              | 297,600              |
| CT Department of Mental Health and Addiction Services | <u>99,322</u>        | <u>91,045</u>        |
|                                                       | <u>\$ 18,608,339</u> | <u>\$ 19,917,450</u> |

# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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### 9. DEFINED CONTRIBUTION PLANS

Breaking 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. Breaking Ground made 403(b) Plan contributions totaling \$354,273 and \$328,297 for the years ended December 31, 2015 and 2014, respectively.

Breaking 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. As of December 31, 2015 and 2014, respectively, the total liability relating to this plan totaled \$97,207 and \$39,014. The related assets are invested in equities and mutual funds that are classified as Level 1 in the fair value hierarchy.

### 10. COMMITMENTS AND CONTINGENCIES

#### Leases

Breaking Ground leases office space for its headquarters and space for its social services programs under operating leases expiring at various dates through 2027. Breaking 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 \$2,320,893 and \$2,373,900 for the years ended December 31, 2015 and 2014, respectively. Estimated future minimum lease payments due under the terms of the leases, follow:

| <b>Year Ending December 31,</b> | <b>Amount</b>       |
|---------------------------------|---------------------|
| 2016                            | \$ 1,754,096        |
| 2017                            | 1,222,612           |
| 2018                            | 798,042             |
| 2019                            | 742,360             |
| 2020                            | 760,919             |
| Thereafter                      | <u>1,781,447</u>    |
|                                 | <u>\$ 7,059,476</u> |

# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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Breaking 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 \$1,672,677 and \$1,369,928 for the years ended December 31, 2015 and 2014, respectively. Estimated future minimum receipts due under the terms of the leases are as follows:

|                                 | <u>Amount</u>       |
|---------------------------------|---------------------|
| <b>Year Ending December 31,</b> |                     |
| 2016                            | \$ 1,318,378        |
| 2017                            | 1,075,988           |
| 2018                            | 1,125,289           |
| 2019                            | 1,164,661           |
| 2020                            | 1,076,337           |
| Thereafter                      | <u>2,821,598</u>    |
|                                 | <u>\$ 8,582,251</u> |

### Guarantees

Breaking 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., Webster Avenue Affordable LLC, and Webster Avenue Supportive LLC.

Breaking 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 Breaking Ground to the respective entities are limited by both time and amounts as follows:

#### Chelsea Residence Limited Partnership:

BG III and CGJTC have provided tax credit compliance and operating deficit guarantees to investors during the compliance period. Construction was completed in 2004; the building has achieved stable operations and is fully occupied. Operating deficits are limited to the greater of \$500,000 or the amount that has accumulated in the entity's sponsor reserve account. The amount of such guarantee totaled \$507,507 and \$512,199 as of December 31, 2015 and 2014, respectively.

#### Brook Avenue Housing L.P.:

CGC II guarantees, during the compliance period, to provide tax credit compliance and to fund certain reserve accounts according to the terms of the partnership agreement. Construction was completed in 2004; the building has reached stabilization, is fully occupied, and required reserve accounts have been funded. Guarantees are limited to the amount of the development fee that has been paid to the developer. As of December 31, 2015 and 2014, respectively, the amount of guarantees totaled \$3,667,785.

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION  
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**Schermerhorn L.P.:**

Construction for this project was completed in 2009; the building is stabilized and fully occupied. BG has a tax credit compliance guarantee to the investors, and had an operating deficit guarantee that was never called and has since expired.

**Pitt Street L.P.:**

Tax credit compliance and operating deficit guarantees have been provided for this project by BG and CGC II. The operating deficit guarantee is limited to \$1,000,000 for a period of 5 years after the building achieves breakeven results, which was achieved in 2014. As of December 31, 2015 and 2014, respectively, the amount of such guarantee totaled \$1,000,000.

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

BG and BG IV have agreed to provide guarantees for tax credit compliance and operating deficits. The tax credit compliance guarantee is limited to \$1,750,000 and the operating deficit guarantee, that was never called, has since expired.

**St. Marks Brownsville L.P.:**

BG has provided guarantees for tax credit compliance and payment of operating deficits prior to breakeven, which is limited to \$1,440,000, or the amount of the developer fees paid, which totaled \$420,000 at December 31, 2015 and 2014, respectively. 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:**

BG and CGC II have provided tax credit compliance and operating deficit guarantees as defined in the operating agreement. The operating deficit guarantee is limited to an amount not to exceed \$192,432 and extends to the later of the fifth anniversary of achieving stabilization and the date upon which the entity achieves breakeven, as applicable and defined.

**Hegeman Avenue Housing L.P.:**

BG has provided guarantees for tax credit compliance and funding operating deficits are provided during the tax credit compliance period. Operating deficits are required to be funded after extinguishing existing operating reserves. As of December 31 2015 and 2014, no amounts were unfunded under this guarantee.

**1630 Dewey Avenue LLC:**

For a period of 48 months after the final capital contribution, which was received in December 2015, BG and CGC II are 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.

# **BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

**December 31, 2015 and 2014**

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### **Boston Road Housing L.P.:**

In its capacity as developer for Boston Road Housing L.P, BG and CGC II have guaranteed the completion of construction of the Boston Road project. In addition, BG 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 were used to finance the construction of this property. BG and CGC II have also provided operating deficit and tax credit compliance guarantees for the operational phase of the project. Operating deficits are limited to \$500,000 for three years after stabilization and after exhausting operating reserves of \$1,500,000.

### **Webster Avenue Affordable LLC:**

In its capacity as developer for Webster Avenue Affordable LLC, BG has guaranteed the completion of construction of the Park House project. In addition, BG 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. BG has also provided operating deficit and tax credit compliance guarantees for the operational phase of the project. Construction completion is expected in 2017.

### **Webster Avenue Supportive LLC:**

In its capacity as developer for Webster Avenue Supportive LLC, BG has guaranteed the completion of construction of the Webster Residence project. In addition, BG and CGC II have provided a limited guarantee of the letter of credit Capital One Bank issued for the project to enhance the credit rating of the tax-exempt bond offering by HFA, the proceeds of which will be used to finance the construction of this property. Breaking Ground has also provided operating deficit and tax credit compliance guarantees for the operational phase of the project. Construction completion is expected in the last quarter of 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 by the project, as defined.

### **Multiemployer Retirement Plan**

Breaking 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. The Plan is subject to a collective bargaining agreement among Breaking Ground and the Hotel Association of New York City, Inc. and the New York Hotel and Motel Trades Council, AFL-CIO. The Fund is a multi-employer defined benefit pension plan. The risks of participating in multiemployer pension plans are different from single employer plans as assets contributed are available to provide benefits to employees of other employers and unfunded obligations from an employer that discontinues contributions are the responsibility of all remaining employers. In addition, in the event of a plan’s termination by mass withdrawal or an organization’s withdrawal from a plan, the organization may be liable for a portion of the plan’s unfunded vested benefits. Breaking Ground does not anticipate withdrawal from the Fund, nor is Breaking Ground aware of any expected plan termination event regarding the Fund.

# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

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The Fund was in safe status (green zone) for the plan years ending December 31, 2015 and 2014, respectively, because it was 87% and 80% funded. The zone status is based on information that Breaking 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 years ended December 31, 2015 and 2014, respectively, Breaking Ground contributed approximately \$84,000 and \$94,000 to the Fund, which is less than 5% of the plan's contributions.

### Other Contingencies

Breaking 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 statements of Breaking Ground. Nevertheless, due to uncertainty of the settlement process, management's view of the outcome may be modified in the future.

Breaking Ground receives funding 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, subject to audit by the governments or their designees. 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 flows of Breaking Ground.

## 11. ALLOCATION AND CLASSIFICATION OF CERTAIN EXPENSES

During the course of the year, Breaking 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 statements of activities.

The following represents expenses incurred specifically relating to fundraising:

|                                         | <u>2015</u>       | <u>2014</u>       |
|-----------------------------------------|-------------------|-------------------|
| Salaries                                | \$ 303,982        | \$ 374,275        |
| Payroll taxes and employee benefits     | 67,144            | 85,143            |
| Gala                                    | 241,316           | 209,457           |
| Professional fees and contract services | 22,500            | 72,109            |
| Information technology                  | -                 | 14,119            |
| Other                                   | 27,272            | 28,344            |
|                                         | <u>\$ 662,214</u> | <u>\$ 783,447</u> |

# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

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For the years ended December 31, 2015 and 2014, respectively, total depreciation and amortization and interest and service fees were allocated to the following functional categories:

|                                    | <b>2015</b>                    |                                          |                                      |                      |
|------------------------------------|--------------------------------|------------------------------------------|--------------------------------------|----------------------|
|                                    | <b>Functional<br/>Expenses</b> | <b>Depreciation and<br/>Amortization</b> | <b>Interest and<br/>Service Fees</b> | <b>Total</b>         |
| Social services                    | \$ 19,910,347                  | \$ 476,906                               | \$ 35,672                            | \$ 20,422,925        |
| Housing management and development | 1,718,925                      | -                                        | 95,913                               | 1,814,838            |
| Affordable housing operations      | 19,687,522                     | 10,785,214                               | 2,105,265                            | 32,578,001           |
| General and administrative         | 8,132,561                      | 314,125                                  | 87,000                               | 8,533,686            |
| Fundraising                        | <u>662,214</u>                 | <u>-</u>                                 | <u>-</u>                             | <u>662,214</u>       |
| Total                              | <u>\$ 50,111,569</u>           | <u>\$ 11,576,245</u>                     | <u>\$ 2,323,850</u>                  | <u>\$ 64,011,664</u> |

  

|                                    | <b>2014</b>                    |                                          |                                      |                      |
|------------------------------------|--------------------------------|------------------------------------------|--------------------------------------|----------------------|
|                                    | <b>Functional<br/>Expenses</b> | <b>Depreciation and<br/>Amortization</b> | <b>Interest and<br/>Service Fees</b> | <b>Total</b>         |
| Social services                    | \$ 22,229,921                  | \$ 562,191                               | \$ 35,672                            | \$ 22,827,784        |
| Housing management and development | 1,611,486                      | -                                        | 87,609                               | 1,699,095            |
| Affordable housing operations      | 20,485,534                     | 10,925,469                               | 2,078,677                            | 33,489,680           |
| 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>\$ 51,440,561</u>           | <u>\$ 11,865,171</u>                     | <u>\$ 2,279,088</u>                  | <u>\$ 65,584,820</u> |

## 12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2015 and 2014, respectively, consisted of the following:

|                                        | <b>2015</b>         | <b>2014</b>         |
|----------------------------------------|---------------------|---------------------|
| Housing Operations and Tenant Services | \$ 851,591          | \$ 285,839          |
| Street to Home                         | 7,759               | 37                  |
| HUD Capital Advance                    | 8,286,001           | 8,529,707           |
| Elderly Care Health Outreach           | 3,924               | 128,342             |
| Boston Road Housing Development        | 145,019             | 135,312             |
| Restricted for time                    | <u>275,000</u>      | <u>-</u>            |
|                                        | <u>\$ 9,569,294</u> | <u>\$ 9,079,237</u> |

# BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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### 13. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2015 and 2014, respectively, temporarily restricted net assets that were released from restrictions in satisfaction of donor time or use restrictions, follow:

|                                        | <u>2015</u>         | <u>2014</u>         |
|----------------------------------------|---------------------|---------------------|
| Housing Operations and Tenant Services | \$ 1,335,262        | \$ 985,090          |
| Street to Home                         | 139,437             | 239,650             |
| HUD Capital Advance                    | 243,706             | -                   |
| Elderly Care Health Outreach           | 124,410             | 330,842             |
| Boston Road Housing Development        | 90,293              | -                   |
| Restricted for time                    | <u>175,000</u>      | <u>-</u>            |
|                                        | <u>\$ 2,108,108</u> | <u>\$ 1,555,582</u> |

### 14. RELATED PARTY TRANSACTIONS

A member of Breaking 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 Breaking 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 statements of financial position includes the following balances between Breaking Ground and the related party referred to above as of December 31, 2015 and 2014, respectively:

|                                       | <u>2015</u> | <u>2014</u> |
|---------------------------------------|-------------|-------------|
| Accounts receivable                   | \$ 435,622  | \$ 555,912  |
| Accounts payable and accrued expenses | \$ 233,375  | \$ 422,288  |

The accompanying consolidated statements of activities includes the following balances between Breaking Ground and the related party referred to above for the years ended December 31, 2015 and 2014, respectively:

|                                         | <u>2015</u>  | <u>2014</u>  |
|-----------------------------------------|--------------|--------------|
| Government grants and contracts revenue | \$ 1,588,559 | \$ 1,374,680 |
| Social services expense                 | \$ 1,257,733 | \$ 1,666,853 |



**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION  
AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014**

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**15. SUBSEQUENT EVENTS**

Breaking Ground evaluated its December 31, 2015 consolidated financial statements for subsequent events through June 30, 2016, the date the consolidated financial statements were available to be issued and determined that the following information was pertinent:

On April 15, 2016, One Riverside Park Housing Development Corporation, an affiliate of CGC II, purchased 55 rental units of One Riverside Park Condominium from a private developer to be occupied by low-income households.

On May 18, 2016, Boston Road Housing L.P. redeemed \$12,725,000 of the tax exempt bonds issued by New York State Housing Finance Agency to finance the construction of Boston Road Residence. A second redemption will be made by Boston Road Housing L.P. at permanent conversion, which is expected in the final quarter of 2016.

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

**SUPPLEMENTARY INFORMATION**

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**  
**Consolidating Schedule of Financial Position Information - Not-for-Profit Entities**  
As of December 31, 2015

|                                                | <b>Breaking<br/>Ground<br/>H.D.F.C.</b> | <b>Breaking<br/>Ground<br/>Management</b> | <b>Common<br/>Ground<br/>Community II<br/>H.D.F.C., Inc.</b> | <b>Breaking<br/>Ground III<br/>H.D.F.C.</b> | <b>Breaking<br/>Ground IV<br/>H.D.F.C.</b> | <b>Common<br/>Ground Jobs<br/>Training<br/>Corp.</b> | <b>General<br/>Partners</b> | <b>Not-for-Profit<br/>Entities<br/>Eliminations</b> | <b>Total<br/>Not-for-Profit<br/>Entities</b> |
|------------------------------------------------|-----------------------------------------|-------------------------------------------|--------------------------------------------------------------|---------------------------------------------|--------------------------------------------|------------------------------------------------------|-----------------------------|-----------------------------------------------------|----------------------------------------------|
| <b>ASSETS</b>                                  |                                         |                                           |                                                              |                                             |                                            |                                                      |                             |                                                     |                                              |
| <b>CURRENT ASSETS</b>                          |                                         |                                           |                                                              |                                             |                                            |                                                      |                             |                                                     |                                              |
| Cash                                           | \$ 3,452,064                            | \$ 245,845                                | \$ 1,053,906                                                 | \$ 6,169                                    | \$ 14,012                                  | \$ 423,307                                           | \$ 883,628                  | \$ -                                                | \$ 6,078,931                                 |
| Lender restricted cash                         | 950                                     | -                                         | -                                                            | -                                           | 950,656                                    | -                                                    | -                           | -                                                   | 951,606                                      |
| Contractual reserves                           | 1,577,533                               | -                                         | 328,816                                                      | -                                           | -                                          | -                                                    | -                           | -                                                   | 1,906,349                                    |
| Accounts receivable, net                       | 4,105,748                               | 1,130,564                                 | 598,984                                                      | 130,190                                     | 1,617,132                                  | 69,733                                               | 641,656                     | -                                                   | 8,294,007                                    |
| Advances due from affiliates                   | 85,233,791                              | 11,613,534                                | 17,568,594                                                   | 914,123                                     | 3                                          | 6,084,085                                            | 513,193                     | (107,019,145)                                       | 14,908,178                                   |
| Development fee receivable                     | 1,296,153                               | -                                         | 6,742,544                                                    | -                                           | -                                          | 62,420                                               | -                           | -                                                   | 8,101,117                                    |
| Other assets, net                              | 255,060                                 | 337,570                                   | 493                                                          | 95                                          | 2,319                                      | 8,689                                                | -                           | -                                                   | 604,226                                      |
| Total current assets                           | <u>95,921,299</u>                       | <u>13,327,513</u>                         | <u>26,293,337</u>                                            | <u>1,050,577</u>                            | <u>2,584,122</u>                           | <u>6,648,234</u>                                     | <u>2,038,477</u>            | <u>(107,019,145)</u>                                | <u>40,844,414</u>                            |
| <b>NONCURRENT ASSETS</b>                       |                                         |                                           |                                                              |                                             |                                            |                                                      |                             |                                                     |                                              |
| Lender restricted cash                         | 1,800,000                               | -                                         | -                                                            | -                                           | -                                          | -                                                    | -                           | -                                                   | 1,800,000                                    |
| Contractual reserves                           | 6,062,851                               | -                                         | 1,706,570                                                    | -                                           | 962                                        | 2,743,715                                            | -                           | -                                                   | 10,514,098                                   |
| Accounts receivable, net                       | 11,000,758                              | 249,992                                   | -                                                            | -                                           | -                                          | -                                                    | 400,004                     | -                                                   | 11,650,754                                   |
| Tenant security deposits                       | 204,219                                 | -                                         | -                                                            | -                                           | -                                          | 346,232                                              | -                           | -                                                   | 550,451                                      |
| Development fees receivable                    | 5,576,646                               | -                                         | 8,070,037                                                    | -                                           | -                                          | -                                                    | -                           | -                                                   | 13,646,683                                   |
| Affiliate notes and interest receivable        | 30,898,177                              | 913,292                                   | 10,949,621                                                   | -                                           | -                                          | 1,979,694                                            | -                           | -                                                   | 44,740,784                                   |
| Investment in housing entities                 | (5,714)                                 | -                                         | (1,943,148)                                                  | (16,002)                                    | -                                          | -                                                    | 7,845,531                   | -                                                   | 5,880,667                                    |
| Other assets, net                              | 755,853                                 | 125,544                                   | -                                                            | -                                           | -                                          | 69,643                                               | -                           | -                                                   | 951,040                                      |
| Property and equipment, net                    | 37,793,052                              | 400,802                                   | 3,214,398                                                    | -                                           | 13,232,376                                 | 439,355                                              | -                           | -                                                   | 55,079,983                                   |
| Total noncurrent assets                        | <u>94,085,842</u>                       | <u>1,689,630</u>                          | <u>21,997,478</u>                                            | <u>(16,002)</u>                             | <u>13,233,338</u>                          | <u>5,578,639</u>                                     | <u>8,245,535</u>            | <u>-</u>                                            | <u>144,814,460</u>                           |
| Total assets                                   | <u>\$ 190,007,141</u>                   | <u>\$ 15,017,143</u>                      | <u>\$ 48,290,815</u>                                         | <u>\$ 1,034,575</u>                         | <u>\$ 15,817,460</u>                       | <u>\$ 12,226,873</u>                                 | <u>\$ 10,284,012</u>        | <u>\$ (107,019,145)</u>                             | <u>\$ 185,658,874</u>                        |
| <b>LIABILITIES AND NET ASSETS (DEFICIT)</b>    |                                         |                                           |                                                              |                                             |                                            |                                                      |                             |                                                     |                                              |
| <b>CURRENT LIABILITIES</b>                     |                                         |                                           |                                                              |                                             |                                            |                                                      |                             |                                                     |                                              |
| Accounts payable and accrued expenses          | \$ 2,430,858                            | \$ 2,539,248                              | \$ 516,442                                                   | \$ 4,634                                    | \$ 1,357,338                               | \$ 13,765                                            | \$ 389,903                  | \$ -                                                | \$ 7,252,188                                 |
| Construction payable                           | 26,033                                  | -                                         | 137,700                                                      | -                                           | -                                          | -                                                    | -                           | -                                                   | 163,733                                      |
| Accrued interest payable - mortgages and notes | -                                       | -                                         | 35,369                                                       | -                                           | -                                          | -                                                    | -                           | -                                                   | 35,369                                       |
| Advances due to affiliates                     | 37,857,567                              | 62,609,089                                | 5,758,003                                                    | 1,052,457                                   | 5,688,456                                  | 1,693,403                                            | 1,365,536                   | (107,019,145)                                       | 9,005,366                                    |
| Deferred revenue                               | 280,076                                 | 51,863                                    | 1,346,664                                                    | -                                           | -                                          | 57,225                                               | -                           | -                                                   | 1,735,828                                    |
| Project grant advances                         | 176,471                                 | -                                         | 330,000                                                      | -                                           | -                                          | -                                                    | -                           | -                                                   | 506,471                                      |
| Mortgages and notes payable                    | 300,000                                 | -                                         | 500,000                                                      | -                                           | -                                          | -                                                    | -                           | -                                                   | 800,000                                      |
| Total current liabilities                      | <u>41,071,005</u>                       | <u>65,200,200</u>                         | <u>8,624,178</u>                                             | <u>1,057,091</u>                            | <u>7,045,794</u>                           | <u>1,764,393</u>                                     | <u>1,755,439</u>            | <u>(107,019,145)</u>                                | <u>19,498,955</u>                            |
| <b>NONCURRENT LIABILITIES</b>                  |                                         |                                           |                                                              |                                             |                                            |                                                      |                             |                                                     |                                              |
| Security deposits                              | 227,455                                 | 16,774                                    | -                                                            | -                                           | -                                          | 358,732                                              | -                           | -                                                   | 602,961                                      |
| Other liabilities                              | -                                       | 102,314                                   | -                                                            | -                                           | -                                          | -                                                    | 1,081,088                   | -                                                   | 1,183,402                                    |
| Accrued interest payable - mortgages and notes | 690,659                                 | -                                         | -                                                            | -                                           | 212,435                                    | -                                                    | -                           | -                                                   | 903,094                                      |
| Deferred revenue                               | 811,001                                 | 334,047                                   | 1,941,847                                                    | -                                           | -                                          | -                                                    | -                           | -                                                   | 3,086,895                                    |
| Project grant advances                         | 17,572,921                              | -                                         | 2,503,943                                                    | -                                           | 500,000                                    | -                                                    | -                           | -                                                   | 20,576,864                                   |
| Mortgages and notes payable                    | 44,585,163                              | -                                         | 178,795                                                      | -                                           | 11,975,231                                 | -                                                    | -                           | -                                                   | 56,739,189                                   |
| Total noncurrent liabilities                   | <u>63,887,199</u>                       | <u>453,135</u>                            | <u>4,624,585</u>                                             | <u>-</u>                                    | <u>12,687,666</u>                          | <u>358,732</u>                                       | <u>1,081,088</u>            | <u>-</u>                                            | <u>83,092,405</u>                            |
| Total liabilities                              | <u>104,958,204</u>                      | <u>65,653,335</u>                         | <u>13,248,763</u>                                            | <u>1,057,091</u>                            | <u>19,733,460</u>                          | <u>2,123,125</u>                                     | <u>2,836,527</u>            | <u>(107,019,145)</u>                                | <u>102,591,360</u>                           |
| <b>Net assets (deficit)</b>                    |                                         |                                           |                                                              |                                             |                                            |                                                      |                             |                                                     |                                              |
| Unrestricted                                   | 75,479,643                              | (50,636,192)                              | 35,042,052                                                   | (22,516)                                    | (3,916,000)                                | 10,103,748                                           | 7,447,485                   | -                                                   | 73,498,220                                   |
| Temporarily restricted                         | 9,569,294                               | -                                         | -                                                            | -                                           | -                                          | -                                                    | -                           | -                                                   | 9,569,294                                    |
| Total net assets (deficit)                     | <u>85,048,937</u>                       | <u>(50,636,192)</u>                       | <u>35,042,052</u>                                            | <u>(22,516)</u>                             | <u>(3,916,000)</u>                         | <u>10,103,748</u>                                    | <u>7,447,485</u>            | <u>-</u>                                            | <u>83,067,514</u>                            |
| Total liabilities and net assets               | <u>\$ 190,007,141</u>                   | <u>\$ 15,017,143</u>                      | <u>\$ 48,290,815</u>                                         | <u>\$ 1,034,575</u>                         | <u>\$ 15,817,460</u>                       | <u>\$ 12,226,873</u>                                 | <u>\$ 10,284,012</u>        | <u>\$ (107,019,145)</u>                             | <u>\$ 185,658,874</u>                        |

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

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**  
**Consolidating Schedule of Activities Information - Not-for-Profit Entities**  
**For the year ended December 31, 2015**

|                                                                                          | <b>Breaking<br/>Ground<br/>H.D.F.C.</b> | <b>Breaking<br/>Ground<br/>Management<br/>Corp.</b> | <b>Common<br/>Ground<br/>Community II<br/>H.D.F.C., Inc.</b> | <b>Breaking<br/>Ground III<br/>H.D.F.C.</b> | <b>Breaking<br/>Ground IV<br/>H.D.F.C.</b> | <b>Common<br/>Ground Jobs<br/>Training<br/>Corp.</b> | <b>Common<br/>Ground<br/>Venture Corp.</b> | <b>Common<br/>Ground<br/>of R.C.<br/>Corp.</b> | <b>General<br/>Partners</b> | <b>Not-for-Profit<br/>Entities<br/>Eliminations</b> | <b>Total<br/>Not-for-Profit<br/>Entities</b> |
|------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------------|--------------------------------------------------------------|---------------------------------------------|--------------------------------------------|------------------------------------------------------|--------------------------------------------|------------------------------------------------|-----------------------------|-----------------------------------------------------|----------------------------------------------|
| <b>REVENUES AND SUPPORT</b>                                                              |                                         |                                                     |                                                              |                                             |                                            |                                                      |                                            |                                                |                             |                                                     |                                              |
| Contributions                                                                            | \$ 5,034,274                            | \$ -                                                | \$ -                                                         | \$ -                                        | \$ -                                       | \$ -                                                 | \$ -                                       | \$ -                                           | \$ -                        | \$ -                                                | \$ 5,034,274                                 |
| Government grants and contracts                                                          | 10,300,205                              | 2,664,387                                           | 1,571,141                                                    | 282,316                                     | 3,790,290                                  | -                                                    | -                                          | -                                              | -                           | -                                                   | 18,608,339                                   |
| Management and partnership fees                                                          | -                                       | 1,982,153                                           | -                                                            | -                                           | -                                          | -                                                    | -                                          | -                                              | 170,000                     | (531,234)                                           | 1,620,919                                    |
| Development fees                                                                         | -                                       | -                                                   | 1,822,376                                                    | -                                           | -                                          | -                                                    | -                                          | -                                              | -                           | -                                                   | 1,822,376                                    |
| Rental income                                                                            | 8,903,841                               | 180,262                                             | 15,553                                                       | -                                           | 18,772                                     | 1,358,020                                            | -                                          | -                                              | -                           | (435,995)                                           | 10,040,453                                   |
| Other income (loss)                                                                      | 1,154,826                               | 870,623                                             | 207,266                                                      | -                                           | 4,885                                      | 11,525                                               | -                                          | -                                              | (776)                       | -                                                   | 2,248,349                                    |
| Total revenues and support                                                               | <u>25,393,146</u>                       | <u>5,697,425</u>                                    | <u>3,616,336</u>                                             | <u>282,316</u>                              | <u>3,813,947</u>                           | <u>1,369,545</u>                                     | <u>-</u>                                   | <u>-</u>                                       | <u>169,224</u>              | <u>(967,229)</u>                                    | <u>39,374,710</u>                            |
| <b>EXPENSES</b>                                                                          |                                         |                                                     |                                                              |                                             |                                            |                                                      |                                            |                                                |                             |                                                     |                                              |
| Program services:                                                                        |                                         |                                                     |                                                              |                                             |                                            |                                                      |                                            |                                                |                             |                                                     |                                              |
| Social services                                                                          | 11,703,792                              | 2,635,393                                           | 1,602,746                                                    | 278,280                                     | 3,869,538                                  | -                                                    | -                                          | -                                              | -                           | -                                                   | 20,089,749                                   |
| Housing management and development                                                       | -                                       | 1,718,925                                           | -                                                            | -                                           | -                                          | -                                                    | -                                          | -                                              | -                           | -                                                   | 1,718,925                                    |
| Affordable housing operations                                                            | 6,283,026                               | -                                                   | 31,389                                                       | -                                           | -                                          | -                                                    | -                                          | -                                              | -                           | (967,229)                                           | 5,347,186                                    |
| Total program services                                                                   | <u>17,986,818</u>                       | <u>4,354,318</u>                                    | <u>1,634,135</u>                                             | <u>278,280</u>                              | <u>3,869,538</u>                           | <u>-</u>                                             | <u>-</u>                                   | <u>-</u>                                       | <u>-</u>                    | <u>(967,229)</u>                                    | <u>27,155,860</u>                            |
| Supporting services:                                                                     |                                         |                                                     |                                                              |                                             |                                            |                                                      |                                            |                                                |                             |                                                     |                                              |
| General and administrative                                                               | 625,332                                 | 6,596,767                                           | 54,453                                                       | 742                                         | -                                          | 836,665                                              | -                                          | -                                              | 18,602                      | -                                                   | 8,132,561                                    |
| Fundraising                                                                              | 662,214                                 | -                                                   | -                                                            | -                                           | -                                          | -                                                    | -                                          | -                                              | -                           | -                                                   | 662,214                                      |
| Depreciation and amortization                                                            | 1,559,924                               | 181,250                                             | -                                                            | -                                           | 434,205                                    | 175,575                                              | -                                          | -                                              | -                           | -                                                   | 2,350,954                                    |
| Interest and service fees                                                                | 440,727                                 | 102,272                                             | -                                                            | -                                           | 35,672                                     | -                                                    | -                                          | -                                              | -                           | -                                                   | 578,671                                      |
| Total supporting services                                                                | <u>3,288,197</u>                        | <u>6,880,289</u>                                    | <u>54,453</u>                                                | <u>742</u>                                  | <u>469,877</u>                             | <u>1,012,240</u>                                     | <u>-</u>                                   | <u>-</u>                                       | <u>18,602</u>               | <u>-</u>                                            | <u>11,724,400</u>                            |
| Total expenses                                                                           | <u>21,275,015</u>                       | <u>11,234,607</u>                                   | <u>1,688,588</u>                                             | <u>279,022</u>                              | <u>4,339,415</u>                           | <u>1,012,240</u>                                     | <u>-</u>                                   | <u>-</u>                                       | <u>18,602</u>               | <u>(967,229)</u>                                    | <u>38,880,260</u>                            |
| Change in net assets before other non-recurring items                                    | 4,118,131                               | (5,537,182)                                         | 1,927,748                                                    | 3,294                                       | (525,468)                                  | 357,305                                              | -                                          | -                                              | 150,622                     | -                                                   | 494,450                                      |
| Other non-recurring items:                                                               |                                         |                                                     |                                                              |                                             |                                            |                                                      |                                            |                                                |                             |                                                     |                                              |
| Gain/loss on discontinued operations                                                     | (679,041)                               | (123,522)                                           | -                                                            | -                                           | -                                          | (106,015)                                            | 622,957                                    | 285,621                                        | -                           | -                                                   | -                                            |
| New York State Brownfield redevelopment expense, net of federal tax expense of \$169,212 | -                                       | -                                                   | -                                                            | -                                           | -                                          | -                                                    | -                                          | -                                              | (346,518)                   | -                                                   | (346,518)                                    |
| Gain on forgiveness of project grant advance                                             | -                                       | -                                                   | 330,000                                                      | -                                           | -                                          | -                                                    | -                                          | -                                              | -                           | -                                                   | 330,000                                      |
| Changes in net assets                                                                    | <u>3,439,090</u>                        | <u>(5,660,704)</u>                                  | <u>2,257,748</u>                                             | <u>3,294</u>                                | <u>(525,468)</u>                           | <u>251,290</u>                                       | <u>622,957</u>                             | <u>285,621</u>                                 | <u>(195,896)</u>            | <u>-</u>                                            | <u>477,932</u>                               |
| Net assets (deficit), beginning of year                                                  | <u>81,609,847</u>                       | <u>(44,975,488)</u>                                 | <u>32,784,304</u>                                            | <u>(25,810)</u>                             | <u>(3,390,532)</u>                         | <u>9,852,458</u>                                     | <u>(622,957)</u>                           | <u>(285,621)</u>                               | <u>7,643,381</u>            | <u>-</u>                                            | <u>82,589,582</u>                            |
| Net assets (deficit), end of year                                                        | <u>\$ 85,048,937</u>                    | <u>\$ (50,636,192)</u>                              | <u>\$ 35,042,052</u>                                         | <u>\$ (22,516)</u>                          | <u>\$ (3,916,000)</u>                      | <u>\$ 10,103,748</u>                                 | <u>\$ -</u>                                | <u>\$ -</u>                                    | <u>\$ 7,447,485</u>         | <u>\$ -</u>                                         | <u>\$ 83,067,514</u>                         |

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

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**  
**Consolidating Schedule of Financial Position Information - Housing Entities**  
**As of December 31, 2015**

|                                                            | 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 LLC | Hegeman Avenue Housing L.P. | Common Ground Cedarwoods Housing LLC | 1630 Dewey Avenue LLC | Boston Road Housing L.P. | Webster Avenue Affordable LLC | Webster Avenue Supportive LLC | Housing Entities Eliminations | Total Housing Entities |
|------------------------------------------------------------|--------------------------------|---------------------------------------|-------------------|------------------|---------------------------|----------------------------|------------------------|-----------------------|-----------------------------|--------------------------------------|-----------------------|--------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------|
| <b>ASSETS</b>                                              |                                |                                       |                   |                  |                           |                            |                        |                       |                             |                                      |                       |                          |                               |                               |                               |                        |
| <b>CURRENT ASSETS</b>                                      |                                |                                       |                   |                  |                           |                            |                        |                       |                             |                                      |                       |                          |                               |                               |                               |                        |
| Cash                                                       | \$ 60,703                      | \$ 56,996                             | \$ 214,985        | \$ 427,992       | \$ 243,520                | \$ 257,184                 | \$ 265,483             | \$ 460,034            | \$ 721,718                  | \$ 32,781                            | \$ 89,866             | \$ -                     | \$ -                          | \$ -                          | \$ -                          | \$ 2,831,262           |
| Lender restricted cash                                     | -                              | -                                     | -                 | -                | -                         | -                          | -                      | -                     | -                           | -                                    | -                     | 493,308                  | 127                           | 38,343                        | -                             | 531,778                |
| Contractual reserves                                       | -                              | -                                     | -                 | 1,780,926        | -                         | -                          | 38,123                 | -                     | -                           | -                                    | -                     | -                        | -                             | -                             | -                             | 1,819,049              |
| Accounts receivable, net                                   | 321,214                        | 96,946                                | 121,317           | 158,568          | 130,988                   | 97,001                     | -                      | 20,042                | 127,685                     | 842                                  | 32,419                | 127,200                  | 2,179,151                     | 410,572                       | -                             | 3,823,945              |
| Advances due from affiliates                               | 3,348,995                      | 1,088,699                             | 1,327,416         | 571,233          | 964,623                   | -                          | -                      | 1,662,276             | 64,578                      | 38                                   | -                     | -                        | 1,587,166                     | 1,518,318                     | (3,127,976)                   | 9,005,366              |
| Other assets, net                                          | 62,551                         | 30,010                                | 621               | 2,159            | 474                       | 22,490                     | 10,431                 | -                     | 835                         | 60,302                               | 19,518                | 14,674                   | -                             | 1,624,126                     | -                             | 1,848,191              |
| Total current assets                                       | 3,793,463                      | 1,272,651                             | 1,664,339         | 2,940,878        | 1,339,605                 | 376,675                    | 314,037                | 2,142,352             | 914,816                     | 93,963                               | 141,803               | 635,182                  | 3,766,444                     | 3,591,359                     | (3,127,976)                   | 19,859,591             |
| <b>NONCURRENT ASSETS</b>                                   |                                |                                       |                   |                  |                           |                            |                        |                       |                             |                                      |                       |                          |                               |                               |                               |                        |
| Lender restricted cash                                     | -                              | -                                     | -                 | -                | -                         | -                          | -                      | -                     | -                           | -                                    | -                     | -                        | -                             | -                             | -                             | -                      |
| Contractual reserves                                       | 883,618                        | 1,125,188                             | 623,492           | 563,098          | 217,790                   | 401,749                    | 1,276,824              | -                     | 303,515                     | 82,145                               | 545,131               | -                        | -                             | -                             | -                             | 6,022,550              |
| Tenant security deposits                                   | 136,626                        | 55,422                                | 97,777            | 78,065           | 59,924                    | 14,705                     | -                      | 54,397                | 38,529                      | 39,911                               | 33,885                | -                        | -                             | -                             | -                             | 609,241                |
| Other assets, net                                          | 51,852                         | 110,813                               | 242,564           | 475,027          | 154,283                   | 120,421                    | 146,196                | 1,642,187             | 358,376                     | 135,196                              | 90,277                | -                        | -                             | -                             | (1,612,456)                   | 1,914,736              |
| Property and equipment, net                                | 29,204,322                     | 20,905,320                            | 48,210,318        | 50,205,270       | 32,864,008                | 21,503,950                 | 18,467,021             | 3,451                 | 37,320,126                  | 11,897,167                           | 13,709,402            | 48,444,044               | 30,955,208                    | 9,387,382                     | -                             | 373,076,989            |
| Total noncurrent assets                                    | 30,276,418                     | 22,196,743                            | 49,174,151        | 51,321,460       | 33,296,005                | 22,040,825                 | 19,890,041             | 1,700,035             | 38,020,546                  | 12,154,419                           | 14,378,695            | 48,444,044               | 30,955,208                    | 9,387,382                     | (1,612,456)                   | 381,623,516            |
| Total assets                                               | \$ 34,069,881                  | \$ 23,469,394                         | \$ 50,838,490     | \$ 54,262,338    | \$ 34,635,610             | \$ 22,417,500              | \$ 20,204,078          | \$ 3,842,387          | \$ 38,935,362               | \$ 12,248,382                        | \$ 14,520,498         | \$ 49,079,226            | \$ 34,721,652                 | \$ 12,978,741                 | \$ (4,740,432)                | \$ 401,483,107         |
| <b>LIABILITIES AND PARTNERS'/MEMBERS' EQUITY (DEFICIT)</b> |                                |                                       |                   |                  |                           |                            |                        |                       |                             |                                      |                       |                          |                               |                               |                               |                        |
| <b>CURRENT LIABILITIES</b>                                 |                                |                                       |                   |                  |                           |                            |                        |                       |                             |                                      |                       |                          |                               |                               |                               |                        |
| Accounts payable and accrued expenses                      | \$ 425,882                     | \$ 70,416                             | \$ 346,498        | \$ 151,239       | \$ 90,250                 | \$ 122,636                 | \$ 3,931               | \$ 50,666             | \$ 187,702                  | \$ 62,365                            | \$ 70,043             | \$ 7,480                 | \$ -                          | \$ -                          | \$ -                          | \$ 1,589,108           |
| Construction payable                                       | -                              | -                                     | -                 | -                | -                         | -                          | -                      | -                     | -                           | -                                    | -                     | 1,509,630                | 2,201,924                     | 402,880                       | -                             | 4,114,434              |
| Accrued interest payable - mortgages and notes             | -                              | -                                     | -                 | -                | -                         | -                          | 17,067                 | -                     | -                           | -                                    | 8,869                 | -                        | -                             | -                             | -                             | 25,936                 |
| Advances due to affiliates                                 | 3,037,710                      | 1,665,686                             | 1,835,832         | 28               | -                         | 2,584,324                  | 4,518,132              | 216,881               | 8,186                       | 227,386                              | 148,262               | 367,223                  | 1,818,866                     | 1,607,638                     | (3,127,976)                   | 14,908,178             |
| Development fee payable                                    | -                              | 62,420                                | -                 | 2,879,950        | -                         | -                          | -                      | -                     | 1,296,153                   | 795,577                              | -                     | 3,067,017                | -                             | -                             | -                             | 8,101,117              |
| Mortgages and notes payable                                | -                              | -                                     | -                 | -                | -                         | -                          | 29,713                 | -                     | -                           | -                                    | -                     | 18,051,224               | -                             | -                             | -                             | 18,080,937             |
| Total current liabilities                                  | 3,463,592                      | 1,798,522                             | 2,182,330         | 3,031,217        | 90,250                    | 2,706,960                  | 4,568,843              | 267,547               | 1,492,041                   | 1,085,328                            | 227,174               | 23,002,574               | 4,020,790                     | 2,010,518                     | (3,127,976)                   | 46,819,710             |
| <b>NONCURRENT LIABILITIES</b>                              |                                |                                       |                   |                  |                           |                            |                        |                       |                             |                                      |                       |                          |                               |                               |                               |                        |
| Security deposits                                          | 136,626                        | 55,422                                | 97,777            | 78,065           | 59,924                    | 14,705                     | -                      | 53,670                | 38,529                      | 39,426                               | 33,810                | -                        | -                             | -                             | -                             | 607,954                |
| Other liabilities                                          | 694,277                        | -                                     | 30,000            | -                | 317,508                   | -                          | 1,629,986              | 52,470                | -                           | 15,918                               | 31,836                | -                        | -                             | -                             | (1,612,456)                   | 1,159,539              |
| Construction payable                                       | 169,813                        | 5,540                                 | -                 | 300,000          | -                         | 1,330,586                  | -                      | -                     | -                           | -                                    | -                     | 461,639                  | 1,532,055                     | 143,619                       | -                             | 3,943,252              |
| Accrued interest payable - mortgages and notes             | 2,856,794                      | 818,866                               | 1,603,585         | 1,551,937        | 1,172,806                 | 114,207                    | 182,149                | -                     | 732,646                     | -                                    | 134,193               | 673,229                  | -                             | -                             | -                             | 9,840,412              |
| Development fees payable                                   | -                              | -                                     | 4,266,436         | 3,970,050        | 1,716,536                 | 1,020,000                  | -                      | -                     | 290,210                     | -                                    | -                     | 1,282,983                | 1,100,468                     | -                             | -                             | 13,646,683             |
| Affiliate notes and interest payable                       | 8,579,694                      | 1,000,000                             | 708,840           | 2,480,927        | 1,537,500                 | 12,741,252                 | 699,754                | -                     | 4,800,664                   | 1,096,750                            | 1,316,141             | 68,988                   | 5,600,000                     | 4,110,274                     | -                             | 44,740,784             |
| Mortgages and notes payable                                | 16,606,976                     | 22,054,767                            | 26,461,734        | 31,190,758       | 21,100,000                | 2,553,300                  | 12,201,667             | -                     | 24,340,763                  | 9,131,488                            | 4,463,916             | 20,647,416               | 21,468,339                    | 6,503,095                     | -                             | 218,724,219            |
| Total noncurrent liabilities                               | 29,044,180                     | 23,934,595                            | 33,168,372        | 39,571,737       | 25,904,274                | 17,774,050                 | 14,713,556             | 106,140               | 30,202,812                  | 10,283,582                           | 5,979,896             | 23,134,255               | 29,700,862                    | 10,756,988                    | (1,612,456)                   | 292,662,843            |
| Total liabilities                                          | 32,507,772                     | 25,733,117                            | 35,350,702        | 42,602,954       | 25,994,524                | 20,481,010                 | 19,282,399             | 373,687               | 31,694,853                  | 11,368,910                           | 6,207,070             | 46,136,829               | 33,721,652                    | 12,767,506                    | (4,740,432)                   | 339,482,553            |
| <b>Partners'/members' equity (deficit)</b>                 |                                |                                       |                   |                  |                           |                            |                        |                       |                             |                                      |                       |                          |                               |                               |                               |                        |
| Controlling interest                                       | 1,562,109                      | (851)                                 | (1,196)           | (891)            | (834)                     | 253                        | 1,274,435              | 5                     | (119)                       | (176)                                | (215)                 | -                        | -                             | -                             | -                             | 2,832,520              |
| Noncontrolling interest                                    | -                              | (2,262,872)                           | 15,488,984        | 11,660,275       | 8,641,920                 | 1,936,237                  | (352,756)              | 3,468,695             | 7,240,628                   | 879,648                              | 8,313,643             | 2,942,397                | 1,000,000                     | 211,235                       | -                             | 59,168,034             |
| Total partners'/members' equity (deficit)                  | 1,562,109                      | (2,263,723)                           | 15,487,788        | 11,659,384       | 8,641,086                 | 1,936,490                  | 921,679                | 3,468,700             | 7,240,509                   | 879,472                              | 8,313,428             | 2,942,397                | 1,000,000                     | 211,235                       | -                             | 62,000,554             |
| Total liabilities and partners'/members' equity            | \$ 34,069,881                  | \$ 23,469,394                         | \$ 50,838,490     | \$ 54,262,338    | \$ 34,635,610             | \$ 22,417,500              | \$ 20,204,078          | \$ 3,842,387          | \$ 38,935,362               | \$ 12,248,382                        | \$ 14,520,498         | \$ 49,079,226            | \$ 34,721,652                 | \$ 12,978,741                 | \$ (4,740,432)                | \$ 401,483,107         |

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

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES**  
**Consolidating Schedule of Activities Information - Housing Entities**  
**For the year ended December 31, 2015**

|                               | 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 |
|-------------------------------|--------------------------------|---------------------------------------|-------------------|------------------|---------------------------|----------------------------|------------------------|--------------------------------|-----------------------------|--------------------------------------|-----------------------|-------------------------------|------------------------|
| <b>REVENUES AND SUPPORT</b>   |                                |                                       |                   |                  |                           |                            |                        |                                |                             |                                      |                       |                               |                        |
| Rental income                 | \$ 4,256,150                   | \$ 2,096,968                          | \$ 2,334,025      | \$ 2,583,079     | \$ 2,033,989              | \$ 1,079,148               | \$ 422,454             | \$ 967,274                     | \$ 1,732,429                | \$ 454,322                           | \$ 572,354            | \$ (422,454)                  | \$ 18,109,738          |
| Other income                  | 346,716                        | 93,187                                | 190,366           | 116,468          | 82,273                    | 102,956                    | 2,355                  | 66,295                         | 69,594                      | 25,262                               | 16,532                | -                             | 1,112,004              |
| Total revenues and support    | 4,602,866                      | 2,190,155                             | 2,524,391         | 2,699,547        | 2,116,262                 | 1,182,104                  | 424,809                | 1,033,569                      | 1,802,023                   | 479,584                              | 588,886               | (422,454)                     | 19,221,742             |
| <b>EXPENSES</b>               |                                |                                       |                   |                  |                           |                            |                        |                                |                             |                                      |                       |                               |                        |
| Program services:             |                                |                                       |                   |                  |                           |                            |                        |                                |                             |                                      |                       |                               |                        |
| Affordable housing operations | 3,980,977                      | 2,011,875                             | 2,357,402         | 2,525,487        | 1,922,261                 | 1,017,614                  | 133,487                | 992,661                        | 1,615,772                   | 484,974                              | 548,240               | (422,454)                     | 17,168,296             |
| Total program services        | 3,980,977                      | 2,011,875                             | 2,357,402         | 2,525,487        | 1,922,261                 | 1,017,614                  | 133,487                | 992,661                        | 1,615,772                   | 484,974                              | 548,240               | (422,454)                     | 17,168,296             |
| Supporting services:          |                                |                                       |                   |                  |                           |                            |                        |                                |                             |                                      |                       |                               |                        |
| Depreciation and amortization | 1,125,250                      | 625,586                               | 1,454,463         | 1,613,337        | 1,191,945                 | 833,110                    | 614,448                | 3,756                          | 1,105,947                   | 405,855                              | 466,991               | -                             | 9,440,688              |
| Interest and service fees     | 193,838                        | 70,953                                | 264,617           | 402,628          | 211,000                   | 507,324                    | 345,133                | -                              | 273,408                     | 11,267                               | 80,456                | -                             | 2,360,624              |
| Total supporting services     | 1,319,088                      | 696,539                               | 1,719,080         | 2,015,965        | 1,402,945                 | 1,340,434                  | 959,581                | 3,756                          | 1,379,355                   | 417,122                              | 547,447               | -                             | 11,801,312             |
| Total expenses                | 5,300,065                      | 2,708,414                             | 4,076,482         | 4,541,452        | 3,325,206                 | 2,358,048                  | 1,093,068              | 996,417                        | 2,995,127                   | 902,096                              | 1,095,687             | (422,454)                     | 28,969,608             |
| Net (loss) income             | \$ (697,199)                   | \$ (518,259)                          | \$ (1,552,091)    | \$ (1,841,905)   | \$ (1,208,944)            | \$ (1,175,944)             | \$ (668,259)           | \$ 37,152                      | \$ (1,193,104)              | \$ (422,512)                         | \$ (506,801)          | \$ -                          | \$ (9,747,866)         |

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