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

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

December 31, 2016 and 2015

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

TABLE OF CONTENTS

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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, 2016 and 2015, 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, 1630 Dewey Avenue LLC, and Boston Road Housing L.P. (collectively, the "Controlled Housing Entities"), which statements reflect total assets constituting $313,226,155, or 58% and $273,894,635, or 56% of consolidated total assets as of December 31, 2016 and 2015, respectively, and total revenues of $17,839,053, or 27% and $15,040,865, or 28%, 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, 2016 and 2015, 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, 2016, presented within 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, 2016 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 22, 2017

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES
Consolidated Statements of Financial Position
As of December 31, 2016 and 2015, with consolidating information as of December 31, 2016

	2016				2015
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated Total	Consolidated Total
ASSETS					
CURRENT ASSETS					
Cash	$ 2,701,370	$ 5,527,333	$ -	$ 8,228,703	$ 8,910,193
Lender restricted cash	1,841,759	1,699,199	-	3,540,958	1,483,384
Contractual reserves	-	197,884	-	197,884	3,725,398
Accounts receivable, net	11,614,740	2,701,112	(813,226)	13,502,626	11,506,859
Advances due from affiliates	17,113,544	4,798,065	(21,911,609)	-	-
Development fees receivable	3,751,695	-	(62,420)	3,689,275	8,013,826
Other assets, net	719,038	876,316	-	1,595,354	2,451,965
Total current assets	37,742,146	15,799,909	(22,787,255)	30,754,800	36,091,625
NONCURRENT ASSETS					
Lender restricted cash	7,020,590	4,151,955	-	11,172,545	1,800,000
Contractual reserves	11,416,491	5,437,809	-	16,854,300	16,536,648
Accounts receivable, net	13,450,889	-	(761,592)	12,689,297	11,000,758
Tenant security deposits	594,121	621,080	-	1,215,201	1,159,692
Development fees receivable	14,970,271	-	(10,431,582)	4,538,689	3,810,248
Affiliate notes and interest receivable	46,921,071	-	(46,921,071)	-	-
Investment in Housing Entities	5,879,720	-	(5,879,720)	-	-
Other assets, net	1,018,569	371,053	-	1,389,622	1,334,521
Property and equipment, net	52,799,988	419,899,395	(8,860,375)	463,839,008	419,607,925
Total noncurrent assets	154,071,710	430,481,292	(72,854,340)	511,698,662	455,249,792
Total assets	$ 191,813,856	$ 446,281,201	$ (95,641,595)	$ 542,453,462	$ 491,341,417

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES
Consolidated Statements of Financial Position
As of December 31, 2016 and 2015, with consolidating information as of December 31, 2016

	2016				2015
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated Total	Consolidated Total
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	$ 9,961,051	$ 2,014,470	$ (1,202,811)	$ 10,772,710	$ 7,840,166
Construction payable	37,600	8,534,652	-	8,572,252	4,278,167
Accrued interest payable - mortgages and notes	94,647	16,528	-	111,175	61,305
Advances due to affiliates	4,798,065	17,113,544	(21,911,609)	-	-
Deferred revenue	757,452	-	-	757,452	1,735,828
Project grant advances	506,471	-	-	506,471	506,471
Development fees payable	-	3,751,695	(62,420)	3,689,275	8,013,826
Mortgages and notes payable, net	5,655,988	5,386,976	-	11,042,964	18,880,937
Total current liabilities	21,811,274	36,817,865	(23,176,840)	35,452,299	41,316,700
NONCURRENT LIABILITIES					
Security deposits	630,278	621,839	-	1,252,117	1,210,915
Other liabilities	139,224	1,270,191	(761,592)	647,823	1,692,945
Construction payable	-	2,541,242	-	2,541,242	3,943,252
Accrued interest payable - mortgages and notes	1,299,392	11,665,028	-	12,964,420	10,743,506
Deferred revenue	10,308,929	-	(1,310,000)	8,998,929	1,776,895
Project grant advances	20,142,582	-	-	20,142,582	20,576,864
Development fees payable	-	14,970,271	(10,431,582)	4,538,689	3,810,248
Affiliate notes and interest payable	-	46,921,071	(46,921,071)	-	-
Mortgages and notes payable, net	52,977,134	260,959,460	-	313,936,594	273,932,153
Total noncurrent liabilities	85,497,539	338,949,102	(59,424,245)	365,022,396	317,686,778
Total liabilities	107,308,813	375,766,967	(82,601,085)	400,474,695	359,003,478
Commitments and contingencies					
NET ASSETS					
Unrestricted:					
Controlling interest	74,197,948	3,778,502	(13,040,510)	64,935,940	63,600,611
Noncontrolling interest	-	66,735,732	-	66,735,732	59,168,034
Temporarily restricted	10,307,095	-	-	10,307,095	9,569,294
Total net assets	84,505,043	70,514,234	(13,040,510)	141,978,767	132,337,939
Total liabilities and net assets	$ 191,813,856	$ 446,281,201	$ (95,641,595)	$ 542,453,462	$ 491,341,417

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, 2016 and 2015, with consolidating information for the year ended December 31, 2016

	2016				2015
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated Total	Consolidated Total
UNRESTRICTED NET ASSETS					
Unrestricted revenues and support:					
Contributions	$ 2,015,094	$ -	$ -	$ 2,015,094	$ 2,436,109
Government grants and contracts	25,307,798	-	-	25,307,798	18,608,339
Management and partnership fees	1,785,931	-	(1,505,867)	280,064	221,429
Development fees	3,411,059	-	(570,276)	2,840,783	1,180,529
Rental income	10,057,609	19,052,202	(1,438,793)	27,671,018	26,641,727
Other income	2,981,618	2,811,152	(750,710)	5,042,060	2,645,941
Net assets released from restrictions	1,835,390	-	-	1,835,390	2,108,108
Total revenues and support	47,394,499	21,863,354	(4,265,646)	64,992,207	53,842,182
Expenses:					
Social services	27,089,193	-	(179,402)	26,909,791	19,910,347
Housing management and development	1,302,698	-	-	1,302,698	1,718,460
Affordable housing operations	5,577,705	18,580,727	(2,901,470)	21,256,962	19,678,876
General and administrative	9,510,888	-	-	9,510,888	8,132,561
Fundraising	750,434	-	-	750,434	662,214
Depreciation and amortization	2,169,143	10,238,700	(258,948)	12,148,895	11,516,257
Interest and service fees	624,710	3,474,757	(615,445)	3,484,022	2,392,484
Total expenses	47,024,771	32,294,184	(3,955,265)	75,363,690	64,011,199
Change in net assets before other non-recurring items	369,728	(10,430,830)	(310,381)	(10,371,483)	(10,169,017)
Other non-recurring items:					
New York State Brownfield redevelopment expense, net of federal tax expense of $169,212	-	-	-	-	(346,518)
Gain on forgiveness of project grant advance	330,000	-	-	330,000	330,000
Increase (decrease) in unrestricted net assets	699,728	(10,430,830)	(310,381)	(10,041,483)	(10,185,535)
TEMPORARILY RESTRICTED NET ASSETS					
Temporarily restricted revenues and support:					
Contributions	2,573,191	-	-	2,573,191	2,598,165
Net assets released from restrictions	(1,835,390)	-	-	(1,835,390)	(2,108,108)
Increase in temporarily restricted net assets	737,801	-	-	737,801	490,057
Change in net assets	1,437,529	(10,430,830)	(310,381)	(9,303,682)	(9,695,478)
Excess of expenses over revenues and support attributable to noncontrolling interests	-	9,667,815	-	9,667,815	9,050,085
Excess (deficiency) of revenues and support over expenses attributable to Breaking Ground	$ 1,437,529	$ (763,015)	$ (310,381)	$ 364,133	$ (645,393)

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, 2016 and 2015

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Consolidated Total
	Controlling	Noncontrolling	Total		
Beginning balance, January 1, 2015	$ 66,445,058	$ 62,780,182	$ 129,225,240	$ 9,079,237	$ 138,304,477
Capital contributions from investors	-	3,728,940	3,728,940	-	3,728,940
Adjustment 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 attributable to Breaking Ground	(1,135,450)	-	(1,135,450)	490,057	(645,393)
Ending balance, December 31, 2015	$ 63,600,611	$ 59,168,034	$ 122,768,645	$ 9,569,294	$ 132,337,939
Capital contributions from investors	-	18,944,510	18,944,510	-	18,944,510
Adjustment from Managing Member	1,708,997	(1,708,997)	-	-	-
Excess of expenses over revenue and support attributable to noncontrolling interests	-	(9,667,815)	(9,667,815)	-	(9,667,815)
(Deficiency) excess of revenues and support over expenses attributable to Breaking Ground	(373,668)	-	(373,668)	737,801	364,133
Ending balance, December 31, 2016	$ 64,935,940	$ 66,735,732	$ 131,671,672	$ 10,307,095	$ 141,978,767

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, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (9,303,682)	$ (9,695,478)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	12,148,895	11,516,257
Amortization of debt issuance costs	88,700	59,988
Gain on forgiveness of project grant advance	(330,000)	(330,000)
(Increase) decrease in operating assets:		
Accounts receivable, net	(3,684,306)	(2,198,073)
Other assets, net	767,331	(1,279,851)
Tenant security deposits	(55,509)	(52,468)
Development fees receivable	3,596,110	(442,302)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	2,932,544	(1,005,246)
Security deposits	41,202	(9,276)
Other liabilities	(1,045,122)	(120,960)
Accrued interest payable - mortgages and notes	2,270,784	2,419,651
Deferred revenue	6,243,658	227,640
Project grant advances	(104,282)	9,533,805
Development fees payable	(3,596,110)	(305,743)
Net cash provided by operating activities	9,970,213	8,317,944
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in lender restricted cash	(11,430,119)	2,615,847
Change in contractual reserves	3,209,862	580,497
Payments on construction payable	(45,172,270)	(21,403,371)
Capital expenditures	(8,281,454)	(17,978,760)
Net cash used in investing activities	(61,673,981)	(36,185,787)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions received from investors	18,944,510	3,728,940
Proceeds from loans	49,343,523	43,519,762
Repayments of loans	(17,265,755)	(17,769,574)
Net cash provided by financing activities	51,022,278	29,479,128
Net (decrease) increase in cash	(681,490)	1,611,285
Cash, beginning of year	8,910,193	7,298,908
Cash, end of year	$ 8,228,703	$ 8,910,193
Supplemental disclosure of information:		
Cash paid for interest	$ 1,587,940	$ 736,950
Supplemental schedule of non-cash investing and financing activities:		
Construction payable capitalized to rental property	$ 48,064,345	$ 22,968,106

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

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), for-profit limited partnerships ("LP"s), limited liability corporations ("LLC"s), and C corporations. All Breaking Ground entities are affiliated, under common board control and have been formed as support to further the Organization's 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 individuals 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.

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 24th Street, New York City ("Chelsea"), a building that was purchased through a loan from the City of New York Department of Housing Preservation and Development ("HPD"), which provides housing and employment services to qualifying young adults, formerly homeless, and low-income single adults.

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 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. These entities (the "Housing Entities") were formed to own individual properties that are developed and managed to provide low-income housing. The Housing Entities are comprised as follows:

Limited Partnership/ Limited Liability Corporation	General Partner/Managing Member
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 above, 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 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, 2016 and 2015.

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. Cash equivalents represent short-term investments with original maturities of three months or less from the date of purchase.

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 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 $201,645 and $1,081,088, 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, 2016 and 2015. 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. Development fees receivable balance as of December 31, 2016 and 2015 totaled $8,227,964 and $11,824,074, respectively.

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, previous loss history, the donor's current ability to pay their 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, with any payments subsequently received on such receivables recorded as income in the period received. Allowances for doubtful accounts balance as of December 31, 2016 and 2015 totaled $201,627 and $252,686, 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.

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:

Property Classification	Estimated Useful Lives
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 long-lived assets 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 losses were recognized for the years ended December 31, 2016 and 2015, respectively, as management determined no such impairments existed.

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, rent expense is recognized on a straight-line basis over the remaining life of the lease, inclusive of the rent abatements and landlord contributions.

Functional Allocation of Expenses

Breaking Ground summarizes the costs of providing and managing its various programs and supporting activities on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain operating costs are allocated among the benefiting program and supporting services, based on specific identification or applicable allocation methodologies.

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 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, 2013, 2014, 2015, and 2016 are still open to audit for both federal and state purposes. However, management 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.

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest ("ASU 2015-03"), to simplify the presentation of debt issuance costs related to a recognized debt liability. Under these new requirements, previously capitalized debt issuance costs are presented as a direct reduction from the carrying value of the respective debt liability, consistent with debt discounts. This guidance requires retrospective application and was effective for fiscal years beginning after December 15, 2015. During fiscal 2016, Breaking Ground adopted ASU 2015-03, and accordingly, reclassified its unamortized deferred financing costs totaling $2,282,070 and $1,531,255 as of December 31, 2016 and 2015, respectively, as a reduction of its mortgages and notes payable in the accompanying consolidated statements of financial position (Note 7).

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year presentation. Other than the effects of the adoption of ASU 2015-03, there were no changes to total assets, liabilities, net assets, revenues, expenses or changes in net assets as previously reported in the fiscal 2015 consolidated financial statements.

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, as of December 31, 2016 and 2015, respectively, consisted of the following:

	2016	2015
Note receivable	$ 11,783,526	$ 10,966,787
Government grants and contracts	8,385,277	5,028,374
New York State Brownfield redevelopment tax credit	589,890	589,890
Housing Entity receivables	2,309,060	3,566,207
Contributions receivable	1,796,371	1,198,317
Tenant accounts receivables	526,718	422,510
Other	1,002,708	988,218
Accounts receivable, gross	26,393,550	22,760,303
Less: Allowance for doubtful accounts	(201,627)	(252,686)
Accounts receivable, net	$ 26,191,923	$ 22,507,617

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, 2016 and 2015, respectively, consisted of the following:

	2016	2015
Cash and cash equivalents	$ 24,234,618	$ 10,515,712
Certificate of deposit	1,800,000	1,800,000
Treasury bills	5,731,069	11,229,718
Total	$ 31,765,687	$ 23,545,430

Breaking Ground's lender restricted cash and contractual reserves classified within the fair value hierarchy as of December 31, 2016 and 2015, respectively, consisted of the following:

	2016	
		Total
Cash and cash equivalents		$ 24,234,618
	Level 2	
Certificate of deposit	$ 1,800,000	1,800,000
Treasury bills	5,731,069	5,731,069
Total	$ 7,531,069	$ 31,765,687

	2015	
		Total
Cash and cash equivalents		$ 10,515,712
	Level 2	
Certificate of deposit	$ 1,800,000	1,800,000
Treasury bills	11,229,718	11,229,718
Total	$ 13,029,718	$ 23,545,430

Breaking Ground did not have any lender restricted cash or contractual reserves classified as Level 3 as of December 31, 2016 and 2015, respectively.

Interest income for the years ended December 31, 2016 and 2015, totaled $78,691 and $18,284, respectively and is recorded as other income within the consolidated statements of activities. Contractual reserve fees for the years ended December 31, 2016 and 2015, totaled $56,346 and $74,077, respectively, and is recorded as interest and service fees within the consolidated statements of activities.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, as of December 31, 2016 and 2015, respectively, consisted of the following:

	2016	2015
Buildings and improvements	$ 413,811,919	$ 370,415,781
Leasehold improvements	4,855,860	4,855,860
Furniture and equipment	16,790,054	15,742,688
Land improvements	10,384,056	10,384,056
	445,841,889	401,398,385
Less: Accumulated depreciation	(114,814,335)	(102,711,272)
Land	41,766,670	41,766,670
Construction-in-progress	91,044,784	79,154,142
Total property and equipment, net	$ 463,839,008	$ 419,607,925

Depreciation and amortization expense totaled $12,148,895 and $11,516,257 for the years ended December 31, 2016 and 2015, respectively. Ongoing construction-in-progress projects relating to Webster Avenue Affordable LLC, Prince George Associates, L.P., and Webster Avenue Supportive LLC are expected to be completed in 2017, 2018, and 2018, respectively, with approximately $17,282,000, $14,589,000, and $41,383,000 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 respective requirements will be forgiven by the funder/lender and, as such, bear a 0% stated rate.

Project grant advances where the conditions have not been substantially met are included in liabilities in the accompanying consolidated statements of financial position as follows:

	2016	2015	Maturity Date	Interest Rate
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	5,600,000	11/11/2019	N/A
BG - Webster Avenue Supportive LLC	4,182,463	4,110,274	4/30/2020	N/A
CGC II - Prince George Associates, L.P.	330,000	660,000	1/31/2018	N/A
BG - Neighborhood Stabilization Program	1,957,647	2,134,118	6/9/2027	N/A
CGC II - HOME Investment Partnership Program	573,953	573,953	8/31/2040	N/A
CGC II - HUD Continuum of Care	300,000	300,000	9/30/2040	N/A
Total project grant advances	$ 20,649,053	$ 21,083,335		

7. MORTGAGES AND NOTES PAYABLE, NET

The various debt obligations outstanding as presented in the accompanying consolidated statements of financial position as of December 31, 2016 and 2015, respectively, consisted of the following:

Entity	Lender	2016	2015	Final Maturity Date	Interest Rate
BG	Mizuho Bank (USA)	$ 3,100,000	$ 3,468,271	10/16/2017	LIBOR plus 1.5%
BG	van Ameringen Foundation	1,000,000	1,000,000	8/1/2019	2%
BG	JPMorgan Chase Bank, N.A.	-	-	9/30/2017	3%
BG	U.S. Department of Housing and Urban Development	11,783,526	10,966,787	12/1/2054	Non-interest bearing
BG	Wells Fargo Community Investment Holdings	600,000	600,000	12/26/2020	2%
T.S. Hotel LLC	NYC Department of Housing Preservation and Development	17,859,752	17,859,751	5/15/2025	1%
T.S. Hotel LLC	NYC Department of Housing Preservation and Development	10,990,355	10,990,354	7/1/2041	1%
T.S. Hotel LLC	M-Core Credit Corporation	406,010	-	8/15/2023	6.49%
BG IV	NYC Department of Housing Preservation and Development	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 Housing Preservation and Development - 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	500,000	6/30/2017	6.50%
CGC II	Supportive Housing Solutions Fund LLC	418,248	178,795	9/1/2017	6%
Prince George Associates, L.P.	NYC Department of Housing Preservation and Development	12,558,826	12,555,124	11/1/2028	1%
Prince George Associates, L.P.	NYS Homeless Housing Assistance Corporation	4,000,000	4,000,000	11/1/2029	1%
Prince George Associates, L.P.	Low Income Investment Fund	37,073	-	1/27/2018	5%
Prince George Associates, L.P.	TD Bank, NA	37,073	-	1/27/2018	4%
Chelsea Residence Limited Partnership	NYC Department of Housing Preservation and Development	16,487,241	16,481,563	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 Housing Preservation and Development	19,479,547	19,469,370	4/29/2038	1%
Pitt Street L.P.	NYC Department of Housing Preservation and Development	24,290,221	24,274,850	9/1/2041	1%
Pitt Street L.P.	NYS Homeless Housing Assistance Corporation	6,520,758	6,520,758	12/28/2040	1%
Brook Avenue Housing L.P.	NYC Department of Housing Preservation and Development	17,491,450	17,486,895	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 Mark’s Brownsville L.P.	NYS Homeless Housing Assistance Corporation	1,803,300	1,803,300	3/29/2051	1%
St Mark’s Brownsville L.P.	NYC Department of Housing Preservation and Development - Reso A	689,358	687,587	11/26/2050	Non-interest bearing

Entity	Lender	2016	2015	Final Maturity Date	Interest Rate
410 Asylum Street, LLC	State of Connecticut	$ 2,000,000	$ 2,000,000	3/27/2038	1%
410 Asylum Street, LLC	City of Hartford	306,564	316,949	9/1/2042	1%
410 Asylum Street, LLC	Connecticut Housing Finance Authority	3,711,220	3,771,515	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 Housing Preservation and Development	17,505,139	17,491,624	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.	New York Housing Finance Agency	910,209	910,209	5/1/2040	1%
Common Ground Cedarwoods Housing LLC	Connecticut Housing Finance Authority	5,601,419	5,599,144	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	2,750,966	2,749,869	1/14/2043	1%
1630 Dewey Avenue LLC	Housing Trust Fund Corporation	1,681,494	1,681,494	8/3/2045	1%
Boston Road Housing L.P.	NYC Department of Housing Preservation and Development	4,559,564	4,559,564	4/27/2047	Non-interest bearing
Boston Road Housing L.P.	NYC Department of Housing Preservation and Development - Reso A	778,965	778,965	4/27/2047	Non-interest bearing
Boston Road Housing L.P.	NYS Homeless Housing Assistance Corporation	3,506,822	3,506,822	12/3/2042	1%
Boston Road Housing L.P.	NYS Housing Finance Agency	10,311,567	23,856,716	7/1/2046	2%
Boston Road Housing L.P.	NYS Housing Finance Agency	6,689,606	5,996,573	7/1/2046	6%
Webster Avenue Affordable LLC	NYC Department of Housing Preservation and Development	17,360,000	3,949,837	30 years following LOC release	0.75%
Webster Avenue Affordable LLC	NYS Homeless Housing Assistance Corporation	2,000,000	1,400,000	30 years	Non-interest bearing
Webster Avenue Affordable LLC	NYC Housing Development Corporation	28,710,099	12,168,664	7/31/2048	LT-5.7% / ST-2.1%
Webster Avenue Affordable LLC	NYC Housing Development Corporation	4,755,000	3,949,838	7/31/2048	1.25%
Webster Avenue Supportive LLC	NYC Department of Housing Preservation and Development	6,100,285	2,610,069	10/31/2018 or 30 years after conversion occurs	0.25%
Webster Avenue Supportive LLC	NYS Homeless Housing Assistance Corporation	1,351,611	-	30 years after occupancy	
Webster Avenue Supportive LLC	NYS Housing Finance Agency	11,557,483	3,893,026	ST-9/1/2019 / LT-7/1/2048	LT-4.75% / ST-2%
	Total mortgages and notes payable	$ 324,979,558	$ 292,813,090		

The following scheduled future principal payments, follow:

Year Ending December 31,	Amount
2017	$ 11,042,964
2018	7,880,878
2019	12,301,328
2020	331,952
2021	175,394
Thereafter	293,247,042
	$ 324,979,558

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, 2016 and 2015, 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, 2017 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, 2016 and 2015, respectively.

Interest and service fees totaling $3,484,022 and $2,392,484 were expensed for the years ended December 31, 2016 and 2015, respectively.

8. GOVERNMENT GRANTS AND CONTRACTS

Government grants and contracts revenue recognized to the extent of related expenditures incurred for the years ended December 31, 2016 and 2015, respectively, was derived from the following Federal, New York City and state government agencies:

	2016	2015
NYC Department of Homeless Services	$ 17,714,391	$ 11,388,025
NYC HIV/AIDS Service Administration	2,565,063	2,646,249
NYS Department of Health and Mental Hygiene	2,273,560	2,238,032
US Department of Veteran Affairs	1,358,396	1,393,215
NYS Office of Mental Health	545,537	-
US Department of Housing and Urban Development	472,169	545,896
NYS Office of Temporary and Disability Assistance	279,360	297,600
CT Department of Mental Health and Addiction Services	99,322	99,322
	$ 25,307,798	$ 18,608,339

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 $390,955 and $354,273 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, the liability relating to this plan totaled $139,224 and $97,207, respectively. 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 $2,985,003 and $2,320,893 for the years ended December 31, 2016 and 2015, respectively. Estimated future minimum lease payments due under the terms of the leases, follow:

Year Ending December 31,	Amount
2017	$ 3,178,419
2018	2,085,652
2019	1,505,534
2020	1,527,442
2021	1,103,122
Thereafter	1,948,441
	$ 11,348,610

Breaking Ground entered into commercial leases and subleases with various commercial third-party tenants under operating leases which expire at various dates through February 2024. Rental income from such leases totaled $1,684,115 and $1,672,677 for the years ended December 31, 2016 and 2015, respectively. Estimated future minimum receipts due under the terms of the leases follow:

	Amount
Year Ending December 31,	
2017	$ 1,409,060
2018	1,456,803
2019	1,494,570
2020	1,456,735
2021	1,152,309
Thereafter	1,958,039
	$ 8,927,516

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 $503,419 and $507,507 as of December 31, 2016 and 2015, 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, 2016 and 2015, respectively, the amount of guarantees totaled $3,667,785.

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, 2016 and 2015, 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 as of December 31, 2016 and 2015, 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 2016 and 2015, 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. As of December 31 2016 and 2015, no amounts were unfunded under this guarantee.

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. Operating deficits are limited to $1,000,000. 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. Operating deficits are limited to $833,213 for three years after breakeven operations. Construction completion is expected in the first quarter of 2018.

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.

The Fund was in safe status (green zone) for the plan years ending December 31, 2016 and 2015, respectively, because it was 91% and 87% 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, 2016 and 2015, Breaking Ground contributed approximately $25,100 and $84,000, respectively, 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:

	2016	2015
Salaries	$ 400,749	$ 303,982
Payroll taxes and employee benefits	105,470	67,144
Gala	239,626	241,316
Professional fees and contract services	-	22,500
Other	4,589	27,272
	$ 750,434	$ 662,214

For the years ended December 31, 2016 and 2015, respectively, total depreciation and amortization and interest and service fees were allocated to the following functional categories:

	2016			
	Direct Expenses	**Depreciation and Amortization**	**Interest and Service Fees**	**Total**
Social services	$ 26,909,791	$ 451,326	$ 35,672	$ 27,396,789
Housing management and development	1,302,698	-	40,000	1,342,698
Affordable housing operations	21,256,962	11,539,860	3,259,511	36,056,333
General and administrative	9,510,888	157,709	148,839	9,817,436
Fundraising	750,434	-	-	750,434
Total	$ 59,730,773	$ 12,148,895	$ 3,484,022	$ 75,363,690

	2015			
	Direct Expenses	**Depreciation and Amortization**	**Interest and Service Fees**	**Total**
Social services	$ 19,910,347	$ 476,905	$ 35,672	$ 20,422,924
Housing management and development	1,718,460	-	40,000	1,758,460
Affordable housing operations	19,678,876	10,725,227	2,173,898	32,578,001
General and administrative	8,132,561	314,125	142,914	8,589,600
Fundraising	662,214	-	-	662,214
Total	$ 50,102,458	$ 11,516,257	$ 2,392,484	$ 64,011,199

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2016 and 2015, respectively, consisted of the following:

	2016	**2015**
Housing Operations and Tenant Services	$ 702,059	$ 315,491
Elderly Care Health Outreach	-	3,924
Street to Home & Veteran's Initiative	147,030	-
Boston Road Housing Development	-	145,019
Webster Affordable Housing Development	265,711	543,859
HUD Capital Advance	8,042,295	8,286,001
Development Reserve	750,000	-
Time-restricted Gifts	400,000	275,000
	$ 10,307,095	$ 9,569,294

13. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2016 and 2015, respectively, temporarily restricted net assets that were released from restrictions in satisfaction of donor time or purpose restrictions consisted of the following:

	2016	2015
Housing Operations and Tenant Services	$ 824,623	$ 1,335,262
Elderly Care Health Outreach	3,924	124,410
Street to Home & Veteran's Initiative	64,970	139,437
Boston Road Housing Development	145,019	90,293
Webster Affordable Housing Development	278,148	-
HUD Capital Advance	243,706	243,706
Time-restricted Gifts	275,000	175,000
	$ 1,835,390	$ 2,108,108

14. RELATED PARTY TRANSACTIONS

Breaking Ground has members on its Board of Directors who are executives at organizations from which Breaking Ground receives services and to whom Breaking Ground provides services. Specifically, for one Director Breaking Ground receives social services for its 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 which organization holds the government contract. For other Directors, Breaking Ground provides lease up and compliance services for affordable housing projects that are owned by the Directors' organization.

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, 2016 and 2015, respectively:

	2016	2015
Accounts receivable	$ 778,879	$ 447,312
Accounts payable and accrued expenses	$ 318,736	$ 233,375

The accompanying consolidated statements of activities includes the following balances between Breaking Ground and the related parties referred to above for the years ended December 31, 2016 and 2015, respectively:

	2016	2015
Government grants and contracts revenue	$ 1,579,729	$ 1,588,559
Other income	$ 619,935	$ 283,381
Social services expense	$ 1,361,515	$ 1,257,733

15. SUBSEQUENT EVENTS

Breaking Ground evaluated its December 31, 2016 consolidated financial statements for subsequent events through June 22, 2017, the date the consolidated financial statements were available to be issued and determined that the following events were pertinent:

On April 27, 2017, Boston Road Housing L.P. closed on permanent loan financing.

On May 15, 2017, Prince George Associates, L.P. sold transferrable development rights to 215 West 28th Street Property Owner LLC, an affiliate of HAP Investments LLC.

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

SUPPLEMENTARY INFORMATION

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES
Consolidating Schedule of Financial Position Information - Not-for-Profit Entities
As of December 31, 2016

ASSETS	Breaking Ground H.D.F.C.	Breaking Ground Management	Common Ground Community II H.D.F.C., Inc.	Breaking Ground III H.D.F.C.	Breaking Ground IV H.D.F.C.	Common Ground Jobs Training Corp.	General Partners	Not-for-Profit Entities Eliminations	Total Not-for-Profit Entities
CURRENT ASSETS									
Cash	$ 1,070,541	$ 941,409	$ 545,623	$ 17,198	$ 81,079	$ 41,892	$ 3,628	$ -	$ 2,701,370
Lender restricted cash	1,800,869	-	-	-	40,890	-	-	-	1,841,759
Accounts receivable, net	5,644,072	3,626,005	563,285	70,547	943,217	45,958	721,656	-	11,614,740
Advances due from affiliates	92,885,630	11,693,100	19,667,553	12,184	909,768	8,322,363	511,116	(116,888,170)	17,113,544
Development fees receivable	972,258	-	2,717,017	-	-	62,420	-	-	3,751,695
Other assets, net	269,120	421,238	21,061	88	2,285	5,246	-	-	719,038
Total current assets	102,642,490	16,681,752	23,514,539	100,017	1,977,239	8,477,879	1,236,400	(116,888,170)	37,742,146
NONCURRENT ASSETS									
Lender restricted cash	-	-	7,020,590	-	-	-	-	-	7,020,590
Contractual reserves	7,413,752	-	3,498,358	-	962	503,419	-	-	11,416,491
Accounts receivable, net	12,689,297	371,592	-	-	-	-	390,000	-	13,450,889
Tenant security deposits	182,605	19,935	45,349	-	-	346,232	-	-	594,121
Development fees receivable	4,237,259	-	10,733,012	-	-	-	-	-	14,970,271
Affiliate notes and interest receivable	32,586,657	913,292	11,441,428	-	-	1,979,694	-	-	46,921,071
Investment in Housing Entities	(5,714)	-	(1,943,148)	(16,002)	-	-	7,844,584	-	5,879,720
Other assets, net	742,616	201,993	-	-	-	73,960	-	-	1,018,569
Property and equipment, net	37,554,532	270,856	1,781,958	-	12,823,750	368,892	-	-	52,799,988
Total noncurrent assets	95,401,004	1,777,668	32,577,547	(16,002)	12,824,712	3,272,197	8,234,584	-	154,071,710
Total assets	$ 198,043,494	$ 18,459,420	$ 56,092,086	$ 84,015	$ 14,801,951	$ 11,750,076	$ 9,470,984	$ (116,888,170)	$ 191,813,856
LIABILITIES AND NET ASSETS (DEFICIT)									
CURRENT LIABILITIES									
Accounts payable and accrued expenses	$ 3,287,267	$ 5,110,747	$ 434,215	$ 53,168	$ 459,226	$ 24,880	$ 591,548	$ -	$ 9,961,051
Construction payable	-	37,600	-	-	-	-	-	-	37,600
Accrued interest payable - mortgages and notes	-	-	94,647	-	-	-	-	-	94,647
Advances due to affiliates	40,451,625	69,296,268	3,417,623	53,998	6,024,954	996,751	1,445,016	(116,888,170)	4,798,065
Deferred revenue	25,894	4,760	668,923	-	-	57,875	-	-	757,452
Project grant advances	176,471	-	330,000	-	-	-	-	-	506,471
Mortgages and notes payable, net	3,737,740	-	918,248	-	1,000,000	-	-	-	5,655,988
Total current liabilities	47,678,997	74,449,375	5,863,656	107,166	7,484,180	1,079,506	2,036,564	(116,888,170)	21,811,274
NONCURRENT LIABILITIES									
Security deposits	201,758	20,721	45,349	-	-	362,450	-	-	630,278
Other liabilities	-	139,224	-	-	-	-	-	-	139,224
Accrued interest payable - mortgages and notes	1,051,285	-	-	-	248,107	-	-	-	1,299,392
Deferred revenue	808,989	437,746	9,062,194	-	-	-	-	-	10,308,929
Project grant advances	17,468,639	-	2,173,943	-	500,000	-	-	-	20,142,582
Mortgages and notes payable, net	42,001,903	-	-	-	10,975,231	-	-	-	52,977,134
Total noncurrent liabilities	61,532,574	597,691	11,281,486	-	11,723,338	362,450	-	-	85,497,539
Total liabilities	109,211,571	75,047,066	17,145,142	107,166	19,207,518	1,441,956	2,036,564	(116,888,170)	107,308,813
NET ASSETS (DEFICIT)									
Unrestricted	78,524,828	(56,587,646)	38,946,944	(23,151)	(4,405,567)	10,308,120	7,434,420	-	74,197,948
Temporarily restricted	10,307,095	-	-	-	-	-	-	-	10,307,095
Total net assets (deficit)	88,831,923	(56,587,646)	38,946,944	(23,151)	(4,405,567)	10,308,120	7,434,420	-	84,505,043
Total liabilities and net assets	$ 198,043,494	$ 18,459,420	$ 56,092,086	$ 84,015	$ 14,801,951	$ 11,750,076	$ 9,470,984	$ (116,888,170)	$ 191,813,856

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, 2016

	Breaking Ground H.D.F.C.	Breaking Ground Management	Common Ground Community II H.D.F.C., Inc.	Breaking Ground III H.D.F.C.	Breaking Ground IV H.D.F.C.	Common Ground Jobs Training Corp.	General Partners	Not-for-Profit Entities Eliminations	Total Not-for-Profit Entities
REVENUES AND SUPPORT									
Contributions	$ 4,588,285	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,588,285
Government grants and contracts	14,759,398	4,749,385	1,671,007	301,841	3,826,167	-	-	-	25,307,798
Management and partnership fees	-	2,120,729	-	-	-	-	170,000	(504,798)	1,785,931
Development fees	-	-	3,411,059	-	-	-	-	-	3,411,059
Rental income	8,647,512	180,676	333,375	-	11,859	1,351,868	-	(467,681)	10,057,609
Other income (loss)	1,216,962	1,398,960	343,928	-	12,670	10,045	(947)	-	2,981,618
Total revenues and support	29,212,157	8,449,750	5,759,369	301,841	3,850,696	1,361,913	169,053	(972,479)	48,132,300
EXPENSES									
Program services:									
Social services	16,387,642	4,791,317	1,711,768	302,501	3,895,965	-	-	-	27,089,193
Housing management and development	-	1,302,698	-	-	-	-	-	-	1,302,698
Affordable housing operations	6,126,123	-	424,061	-	-	-	-	(972,479)	5,577,705
Total program services	22,513,765	6,094,015	2,135,829	302,501	3,895,965	-	-	(972,479)	33,969,596
Supporting services:									
General and administrative	161,572	8,031,498	48,648	(25)	-	1,087,077	182,118	-	9,510,888
Fundraising	750,434	-	-	-	-	-	-	-	750,434
Depreciation and amortization	1,560,107	129,946	-	-	408,626	70,464	-	-	2,169,143
Interest and service fees	443,293	145,745	-	-	35,672	-	-	-	624,710
Total supporting services	2,915,406	8,307,189	48,648	(25)	444,298	1,157,541	182,118	-	13,055,175
Total expenses	25,429,171	14,401,204	2,184,477	302,476	4,340,263	1,157,541	182,118	(972,479)	47,024,771
Change in net assets before other non-recurring items	3,782,986	(5,951,454)	3,574,892	(635)	(489,567)	204,372	(13,065)	-	1,107,529
Other non-recurring item:									
Gain on forgiveness of project grant advance	-	-	330,000	-	-	-	-	-	330,000
Changes in net assets	3,782,986	(5,951,454)	3,904,892	(635)	(489,567)	204,372	(13,065)	-	1,437,529
Net assets (deficit), beginning of year	85,048,937	(50,636,192)	35,042,052	(22,516)	(3,916,000)	10,103,748	7,447,485	-	83,067,514
Net assets (deficit), end of year	$ 88,831,923	$ (56,587,646)	$ 38,946,944	$ (23,151)	$ (4,405,567)	$ 10,308,120	$ 7,434,420	$ -	$ 84,505,043

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, 2016

ASSETS	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	Boston Road Housing L.P.	Webster Avenue Affordable LLC	Webster Avenue Supportive LLC	Housing Entities Eliminations	Total Housing Entities
CURRENT ASSETS																
Cash	$ 8,479	$ 58,729	$ 156,009	$ 329,058	$ 281,094	$ 318,118	$ 400,048	$ 554,047	$ 896,624	$ 61,671	$ 60,879	$ 2,402,577	$ -	$ -	$ -	$ 5,527,333
Lender restricted cash	-	-	-	-	-	-	-	-	-	-	-	147,646	788	1,550,765	-	1,699,199
Contractual reserves	-	139,438	-	203	-	-	58,243	-	-	-	-	-	-	-	-	197,884
Accounts receivable, net	362,671	83,233	176,392	162,030	264,933	33,024	-	5,000	139,324	4,263	2,746	207,479	1,260,017	-	-	2,701,112
Advances due from affiliates	1,871,697	12,497	1,327,416	572,365	951,603	-	-	1,662,276	51,416	38	-	-	-	481,733	(2,132,976)	4,798,065
Other assets, net	61,026	34,602	5,306	13,869	4,864	24,069	9,993	-	4,134	27,845	11,719	9,966	-	668,923	-	876,316
Total current assets	2,303,873	328,499	1,665,123	1,077,525	1,502,494	375,211	468,284	2,221,323	1,091,498	93,817	75,344	2,767,668	1,260,805	2,701,421	(2,132,976)	15,799,909
NONCURRENT ASSETS																
Lender restricted cash	4,151,955	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,151,955
Contractual reserves	261,214	1,097,920	346,038	329,147	265,534	483,877	1,055,609	-	345,371	655,096	598,003	-	-	-	-	5,437,809
Tenant security deposits	134,590	48,654	94,539	74,624	56,687	13,683	-	54,458	36,309	40,821	37,044	29,671	-	-	-	621,080
Other assets, net	-	4,890	-	70,600	36,645	49,698	72,094	1,594,684	-	29,866	52,704	13,335	-	-	(1,553,463)	371,053
Property and equipment, net	31,004,336	20,381,436	46,772,283	48,910,403	31,730,372	20,716,682	17,858,225	42,984	36,227,629	11,496,573	13,246,229	46,588,952	70,924,649	23,998,642	-	419,899,395
Total noncurrent assets	35,552,095	21,532,900	47,212,860	49,384,774	32,089,238	21,263,940	18,985,928	1,692,126	36,609,309	12,222,356	13,933,980	46,631,958	70,924,649	23,998,642	(1,553,463)	430,481,292
Total assets	$ 37,855,968	$ 21,861,399	$ 48,877,983	$ 50,462,299	$ 33,591,732	$ 21,639,151	$ 19,454,212	$ 3,913,449	$ 37,700,807	$ 12,316,173	$ 14,009,324	$ 49,399,626	$ 72,185,454	$ 26,700,063	$ (3,686,439)	$ 446,281,201
LIABILITIES AND PARTNERS'/MEMBERS' EQUITY (DEFICIT)																
CURRENT LIABILITIES																
Accounts payable and accrued expenses	$ 688,609	$ 88,266	$ 301,288	$ 144,012	$ 99,847	$ 104,000	$ 18,028	$ 39,526	$ 161,383	$ 40,864	$ 84,137	$ 244,510	$ -	$ -	$ -	$ 2,014,470
Construction payable	117,129	-	-	-	-	-	-	-	-	-	-	1,630,405	5,239,015	1,548,103	-	8,534,652
Accrued interest payable - mortgages and notes	-	-	-	-	-	-	16,528	-	-	-	-	-	-	-	-	16,528
Advances due to affiliates	6,946,290	574,515	1,882,348	3,242	-	2,512,024	4,522,958	225,153	32,642	249,973	146,963	813,643	776,731	560,038	(2,132,976)	17,113,544
Development fees payable	-	62,420	972,258	-	-	-	-	-	-	-	-	2,717,017	-	-	-	3,751,695
Mortgages and notes payable, net	-	-	-	-	-	-	33,201	-	-	-	-	5,353,775	-	-	-	5,386,976
Total current liabilities	7,752,028	725,201	3,155,894	147,254	99,847	2,616,024	4,590,715	264,679	194,025	290,837	231,100	10,759,350	6,015,746	2,108,141	(2,132,976)	36,817,865
NONCURRENT LIABILITIES																
Security deposits	134,590	49,058	94,539	76,091	57,332	13,448	-	53,186	36,309	40,571	37,044	29,671	-	-	-	621,839
Other liabilities	763,645	-	40,000	-	365,000	-	1,582,913	50,550	-	21,546	-	-	-	-	(1,553,463)	1,270,191
Construction payable	169,813	4,914	-	-	-	1,330,586	-	-	-	-	-	-	-	1,035,929	-	2,541,242
Accrued interest payable - mortgages and notes	3,022,863	890,146	1,868,202	1,863,843	1,383,806	132,239	212,585	-	976,054	-	184,572	1,130,718	-	-	-	11,665,028
Development fees payable	-	-	2,927,049	3,949,948	1,732,609	1,020,000	-	-	290,210	-	-	1,632,983	3,417,472	-	-	14,970,271
Affiliate notes and interest payable	8,579,694	1,000,000	708,840	2,571,646	1,537,500	13,230,543	699,754	-	4,830,664	1,102,185	1,316,141	566,641	6,595,000	4,182,463	-	46,921,071
Mortgages and notes payable, net	16,632,972	21,956,655	26,229,347	30,810,979	20,991,450	2,492,658	12,058,391	-	23,995,902	9,031,419	4,432,460	20,492,749	52,825,099	19,009,379	-	260,959,460
Total noncurrent liabilities	29,303,577	23,900,773	31,867,977	39,272,507	26,067,697	18,219,474	14,553,643	103,736	30,129,139	10,195,721	5,970,217	23,852,762	62,837,571	24,227,771	(1,553,463)	338,949,102
Total liabilities	37,055,605	24,625,974	35,023,871	39,419,761	26,167,544	20,835,498	19,144,358	368,415	30,323,164	10,486,558	6,201,317	34,612,112	68,853,317	26,335,912	(3,686,439)	375,766,967
PARTNERS'/MEMBERS' EQUITY (DEFICIT)																
Controlling interest	800,363	(901)	(1,359)	(1,062)	(955)	140	1,274,374	13	(549)	(218)	1,708,733	(77)	-	-	-	3,778,502
Noncontrolling interest	-	(2,763,674)	13,855,471	11,043,600	7,425,143	803,513	(964,520)	3,545,021	7,378,192	1,829,833	6,099,274	14,787,591	3,332,137	364,151	-	66,735,732
Total partners'/members' equity (deficit)	800,363	(2,764,575)	13,854,112	11,042,538	7,424,188	803,653	309,854	3,545,034	7,377,643	1,829,615	7,808,007	14,787,514	3,332,137	364,151	-	70,514,234
Total liabilities and partners'/members' equity	$ 37,855,968	$ 21,861,399	$ 48,877,983	$ 50,462,299	$ 33,591,732	$ 21,639,151	$ 19,454,212	$ 3,913,449	$ 37,700,807	$ 12,316,173	$ 14,009,324	$ 49,399,626	$ 72,185,454	$ 26,700,063	$ (3,686,439)	$ 446,281,201

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, 2016

	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	Boston Road Housing L.P.	Housing Entities Eliminations	Total Housing Entities
REVENUES AND SUPPORT														
Rental income	$ 4,157,275	$ 2,102,291	$ 2,218,992	$ 2,467,714	$ 2,004,855	$ 1,065,419	$ 457,749	$ 1,010,785	$ 1,732,508	$ 474,567	$ 546,613	$ 1,271,183	$ (457,749)	$ 19,052,202
Other income	324,775	149,381	181,308	120,842	69,329	140,104	21,153	64,084	69,451	15,986	31,110	1,623,629	-	2,811,152
Total revenues and support	4,482,050	2,251,672	2,400,300	2,588,556	2,074,184	1,205,523	478,902	1,074,869	1,801,959	490,553	577,723	2,894,812	(457,749)	21,863,354
EXPENSES														
Program services:														
Affordable housing operations	3,905,443	2,051,641	2,311,147	2,586,829	1,937,358	997,835	156,479	993,868	1,581,558	497,220	563,475	1,455,623	(457,749)	18,580,727
Total program services	3,905,443	2,051,641	2,311,147	2,586,829	1,937,358	997,835	156,479	993,868	1,581,558	497,220	563,475	1,455,623	(457,749)	18,580,727
Supporting services:														
Depreciation and amortization	1,140,813	614,081	1,448,035	1,300,396	1,138,169	831,431	611,872	4,667	1,092,497	403,580	468,193	1,184,966	-	10,238,700
Interest and service fees	197,540	86,802	274,794	417,995	215,555	509,094	322,376	-	286,923	12,710	51,476	1,099,492	-	3,474,757
Total supporting services	1,338,353	700,883	1,722,829	1,718,391	1,353,724	1,340,525	934,248	4,667	1,379,420	416,290	519,669	2,284,458	-	13,713,457
Total expenses	5,243,796	2,752,524	4,033,976	4,305,220	3,291,082	2,338,360	1,090,727	998,535	2,960,978	913,510	1,083,144	3,740,081	(457,749)	32,294,184
Net (loss) income	$ (761,746)	$ (500,852)	$ (1,633,676)	$ (1,716,664)	$ (1,216,898)	$ (1,132,837)	$ (611,825)	$ 76,334	$ (1,159,019)	$ (422,957)	$ (505,421)	$ (845,269)	$ -	$ (10,430,830)

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