

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

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

December 31, 2017 and 2016

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, 2017 and 2016, 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, Boston Road Housing L.P. and Webster Avenue Affordable LLC (collectively, the “Controlled Housing Entities”), which statements reflect total assets constituting \$388,230,598, or 64% and \$313,226,155, or 58% of consolidated total assets as of December 31, 2017 and 2016, respectively, and total revenues of \$16,441,581, or 23% and \$17,839,053, or 27%, 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, 2017 and 2016, 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 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, 2017 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.



Melville, New York
June 14, 2018

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES
Consolidated Statements of Financial Position
As of December 31, 2017 and 2016, with consolidating information as of December 31, 2017

	2017			2016	
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated Total	Consolidated Total
ASSETS					
CURRENT ASSETS					
Cash	\$ 3,309,503	\$ 4,291,719	\$ -	\$ 7,601,222	\$ 8,228,703
Lender restricted cash	16,383,810	800,116	-	17,183,926	3,540,958
Contractual reserves	-	76,083	-	76,083	197,884
Accounts receivable, net	12,001,855	1,491,454	(437,871)	13,055,438	13,502,626
Advances due from affiliates	11,527,572	2,886,395	(14,413,967)	-	-
Development fees receivable	3,262,566	-	(81,767)	3,180,799	3,689,275
Other assets, net	<u>1,148,922</u>	<u>196,318</u>	<u>-</u>	<u>1,345,240</u>	<u>1,595,354</u>
Total current assets	<u>47,634,228</u>	<u>9,742,085</u>	<u>(14,933,605)</u>	<u>42,442,708</u>	<u>30,754,800</u>
NONCURRENT ASSETS					
Lender restricted cash	-	-	-	-	11,172,545
Contractual reserves	12,358,764	9,385,848	-	21,744,612	16,854,300
Accounts receivable, net	14,389,600	-	(540,000)	13,849,600	12,689,297
Tenant security deposits	708,001	468,514	-	1,176,515	1,215,201
Development fees receivable	14,875,843	-	(11,325,737)	3,550,106	4,538,689
Affiliate notes and interest receivable	45,843,406	-	(45,843,406)	-	-
Investment in housing entities	5,878,722	-	(5,878,722)	-	-
Other assets, net	970,430	483,189	-	1,453,619	1,389,622
Property and equipment, net	<u>89,967,898</u>	<u>442,850,401</u>	<u>(9,488,689)</u>	<u>523,329,610</u>	<u>463,839,008</u>
Total noncurrent assets	<u>184,992,664</u>	<u>453,187,952</u>	<u>(73,076,554)</u>	<u>565,104,062</u>	<u>511,698,662</u>
Total assets	<u>\$ 232,626,892</u>	<u>\$ 462,930,037</u>	<u>\$ (88,010,159)</u>	<u>\$ 607,546,770</u>	<u>\$ 542,453,462</u>

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES
Consolidated Statements of Financial Position
As of December 31, 2017 and 2016, with consolidating information as of December 31, 2017

	2017			2016	
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated Total	Consolidated Total
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 6,501,647	\$ 1,753,058	\$ (827,456)	\$ 7,427,249	\$ 6,237,065
Construction payable	3,754,694	8,966,962	-	12,721,656	8,572,252
Accrued interest payable - mortgages and notes	51,778	16,428	-	68,206	111,175
Advances due to affiliates	2,886,395	11,527,572	(14,413,967)	-	-
Deferred revenue	17,800,227	-	-	17,800,227	5,293,097
Project grant advances	176,471	-	-	176,471	506,471
Development fees payable	-	6,155,861	(81,767)	6,074,094	3,689,275
Mortgages and notes payable	7,282,102	10,057,726	-	17,339,828	11,042,964
Total current liabilities	<u>38,453,314</u>	<u>38,477,607</u>	<u>(15,323,190)</u>	<u>61,607,731</u>	<u>35,452,299</u>
NONCURRENT LIABILITIES					
Security deposits	739,423	479,688	-	1,219,111	1,252,117
Other liabilities	693,387	582,342	(540,000)	735,729	647,823
Construction payable	-	705,331	-	705,331	2,541,242
Accrued interest payable - mortgages and notes	4,884,625	10,132,102	-	15,016,727	12,964,420
Deferred revenue	3,857,261	-	(1,310,000)	2,547,261	8,998,929
Project grant advances	24,466,111	-	-	24,466,111	20,142,582
Development fees payable	-	16,199,897	(11,325,737)	4,874,160	4,538,689
Affiliate notes and interest payable	-	45,843,406	(45,843,406)	-	-
Mortgages and notes payable, net	73,899,682	286,264,380	-	360,164,062	313,936,594
Total noncurrent liabilities	<u>108,540,489</u>	<u>360,207,146</u>	<u>(59,019,143)</u>	<u>409,728,492</u>	<u>365,022,396</u>
Total liabilities	<u>146,993,803</u>	<u>398,684,753</u>	<u>(74,342,333)</u>	<u>471,336,223</u>	<u>400,474,695</u>
Commitments and contingencies					
NET ASSETS					
Unrestricted					
Controlling interest	74,952,458	2,976,934	(13,667,826)	64,261,566	64,935,940
Noncontrolling interest	-	61,268,350	-	61,268,350	66,735,732
Temporarily restricted	10,680,631	-	-	10,680,631	10,307,095
Total net assets	<u>85,633,089</u>	<u>64,245,284</u>	<u>(13,667,826)</u>	<u>136,210,547</u>	<u>141,978,767</u>
Total liabilities and net assets	<u>\$ 232,626,892</u>	<u>\$ 462,930,037</u>	<u>\$ (88,010,159)</u>	<u>\$ 607,546,770</u>	<u>\$ 542,453,462</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, 2017 and 2016, with consolidating information for the year ended December 31, 2017

	2017			2016	
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated Total	Consolidated Total
UNRESTRICTED NET ASSETS					
Unrestricted revenues and support:					
Contributions	\$ 2,988,472	\$ -	\$ -	\$ 2,988,472	\$ 2,015,094
Government grants and contracts	31,412,077	-	-	31,412,077	25,307,798
Management and partnership fees	1,475,027	-	(1,135,995)	339,032	280,064
Development fees	4,750,884	-	(913,502)	3,837,382	2,840,783
Rental income	13,850,608	15,551,911	(1,291,973)	28,110,546	27,671,018
Other income	4,176,999	889,670	(885,933)	4,180,736	5,042,060
Net assets released from restrictions	<u>1,513,710</u>	<u>-</u>	<u>-</u>	<u>1,513,710</u>	<u>1,835,390</u>
Total revenues and support	<u>60,167,777</u>	<u>16,441,581</u>	<u>(4,227,403)</u>	<u>72,381,955</u>	<u>64,992,207</u>
Expenses:					
Social services	33,146,886	-	(179,402)	32,967,484	26,909,791
Housing management and development	5,536,839	-	-	5,536,839	4,153,950
Affordable housing operations	8,882,582	15,196,728	(2,483,515)	21,595,795	21,256,962
General and administrative	7,856,930	-	-	7,856,930	6,659,636
Fundraising	851,948	-	-	851,948	750,434
Depreciation and amortization	3,375,800	9,565,491	(285,188)	12,656,103	12,148,895
Interest and service fees	<u>892,645</u>	<u>3,866,359</u>	<u>(651,982)</u>	<u>4,107,022</u>	<u>3,484,022</u>
Total expenses	<u>60,543,630</u>	<u>28,628,578</u>	<u>(3,600,087)</u>	<u>85,572,121</u>	<u>75,363,690</u>
Change in net assets before other non-recurring items	(375,853)	(12,186,997)	(627,316)	(13,190,166)	(10,371,483)
Other non-recurring item:					
Gain on forgiveness of project grant advance	<u>330,000</u>	<u>-</u>	<u>-</u>	<u>330,000</u>	<u>330,000</u>
Increase (decrease) in unrestricted net assets	<u>(45,853)</u>	<u>(12,186,997)</u>	<u>(627,316)</u>	<u>(12,860,166)</u>	<u>(10,041,483)</u>
TEMPORARILY RESTRICTED NET ASSETS					
Temporarily restricted revenues and support:					
Contributions	1,887,246	-	-	1,887,246	2,573,191
Net assets released from restrictions	<u>(1,513,710)</u>	<u>-</u>	<u>-</u>	<u>(1,513,710)</u>	<u>(1,835,390)</u>
Increase in temporarily restricted net assets	<u>373,536</u>	<u>-</u>	<u>-</u>	<u>373,536</u>	<u>737,801</u>
Change in net assets	327,683	(12,186,997)	(627,316)	(12,486,630)	(9,303,682)
Excess of expenses over revenues and support attributable to noncontrolling interests	<u>-</u>	<u>12,185,792</u>	<u>-</u>	<u>12,185,792</u>	<u>9,667,815</u>
Excess (deficiency) of revenues and support over expenses attributable to Breaking Ground	<u>\$ 327,683</u>	<u>\$ (1,205)</u>	<u>\$ (627,316)</u>	<u>\$ (300,838)</u>	<u>\$ 364,133</u>

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, 2017 and 2016

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Consolidated Total
	Controlling	Noncontrolling	Total		
Beginning balance, January 1, 2016	\$ 63,600,611	\$ 59,168,034	\$ 122,768,645	\$ 9,569,294	\$ 132,337,939
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	<u>(373,668)</u>	<u>-</u>	<u>(373,668)</u>	<u>737,801</u>	<u>364,133</u>
Ending balance, December 31, 2016	64,935,940	66,735,732	131,671,672	10,307,095	141,978,767
Contributions from investors	-	6,718,410	6,718,410	-	6,718,410
Excess of expenses over revenue and support attributable to noncontrolling interests	-	(12,185,792)	(12,185,792)	-	(12,185,792)
(Deficiency) excess of revenues and support over expenses attributable to Breaking Ground	<u>(674,374)</u>	<u>-</u>	<u>(674,374)</u>	<u>373,536</u>	<u>(300,838)</u>
Ending balance, December 31, 2017	<u>\$ 64,261,566</u>	<u>\$ 61,268,350</u>	<u>\$ 125,529,916</u>	<u>\$ 10,680,631</u>	<u>\$ 136,210,547</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (12,486,630)	\$ (9,303,682)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	12,656,103	12,148,895
Amortization of debt issuance costs	109,552	88,700
Gain on forgiveness of project grant advance	(330,000)	(330,000)
(Increase) decrease in operating assets:		
Accounts receivable, net	(713,115)	(3,684,306)
Other assets, net	149,439	767,331
Tenant security deposits	38,686	(55,509)
Development fees receivable	1,497,059	3,596,110
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,190,184	1,802,996
Security deposits	(33,006)	41,202
Other liabilities	87,906	(1,045,122)
Accrued interest payable - mortgages and notes	2,009,338	2,270,784
Deferred revenue	6,055,462	7,373,206
Project grant advances	4,323,529	(104,282)
Development fees payable	<u>2,720,290</u>	<u>(3,596,110)</u>
Net cash provided by operating activities	<u>17,274,797</u>	<u>9,970,213</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in lender restricted cash	(2,470,423)	(11,430,119)
Change in contractual reserves	(4,768,511)	3,209,862
Payments on construction payable	(49,576,223)	(45,172,270)
Capital expenditures	<u>(20,220,311)</u>	<u>(8,281,454)</u>
Net cash used in investing activities	<u>(77,035,468)</u>	<u>(61,673,981)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions received from investors	6,718,410	18,944,510
Proceeds from loans	63,209,672	49,343,523
Repayments of loans	<u>(10,794,892)</u>	<u>(17,265,755)</u>
Net cash provided by financing activities	<u>59,133,190</u>	<u>51,022,278</u>
Net increase (decrease) in cash	(627,481)	(681,490)
Cash, beginning of year	<u>8,228,703</u>	<u>8,910,193</u>
Cash, end of year	<u>\$ 7,601,222</u>	<u>\$ 8,228,703</u>
Supplemental disclosure of information:		
Cash paid for interest	<u>\$ 1,089,663</u>	<u>\$ 1,587,940</u>
Supplemental schedule of non-cash investing and financing activities:		
Construction payable capitalized to rental property	<u>\$ 51,889,716</u>	<u>\$ 48,064,345</u>

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, 2017 and 2016

1. DESCRIPTION OF ORGANIZATION AND MISSION

Breaking Ground Housing Development Fund Corporation and Affiliates (collectively, “Breaking Ground” or the “Organization”) was formed for the charitable purpose of owning, rehabilitating, maintaining and operating low-income housing projects and providing related social service programs to individuals residing in the buildings. Breaking Ground is financed principally by grants from community-based and governmental agencies, as well as, fees received from developing and managing properties, rental income, and contributions from the general public. 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.

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. The pursuit of this mission is three fold:

Street Outreach

Breaking Ground is a leading provider of outreach to street homeless New Yorkers, covering all of Brooklyn and Queens, along with much of midtown Manhattan. Outreach teams are responsible for canvassing the streets, engaging with people experiencing homelessness and working to connect them with services and housing. Through compassion, patience and persistence, outreach teams build trust with homeless individuals and help them come indoors.

Transitional Housing

Breaking Ground manages programs that provide safe, short-term housing for people in the most precarious circumstances on the streets. With secure housing, three meals a day, and comprehensive services on site, Breaking Ground provides a safe and supportive space in which each person can work towards securing permanent housing.

Permanent Supportive and Affordable Housing

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.

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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”). The 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 are exempt from income and excise taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”).

Breaking Ground Housing Development Fund Corporation (“BG”), organized on October 11, 1990, is the controlling member of the following entities: T.S. Hotel LLC, St. Marks Brownsville Housing Development Fund Corporation, and Schermerhorn Housing Development Fund Corporation.

Breaking Ground II Housing Development Fund Corporation (“BG II”), organized on January 26, 1995, is the controlling member of the following entities: Prince George Associates L.P., Prince George GP Corp, One Riverside Park Housing Development Fund Corporation, 10 Freedom Place Housing Development Fund Corporation, 1766-68 Second Avenue Housing Development Fund Corporation, Webster Avenue Affordable Developer LLC, La Central Supportive Developer LLC, CG Pitt Street Housing Development Fund Corporation, Brook Ave Housing Development Fund Corporation, Hegeman Housing Development Fund Corporation, 1630 Dewey Avenue Housing Development Fund Corp., Boston Road II Housing Development Fund Corporation, Webster Avenue Housing Development Fund Corporation, Webster Avenue Supportive Housing Development Fund Corporation, and La Central Supportive Housing Development Fund Corporation.

Breaking Ground III Housing Development Fund Corporation (“BG III”), organized on October 24, 2000, 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 Housing Development Fund Corporation (“BG IV”), organized on October 23, 2001, 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 Jobs Training Corp. (“CGJTC”), organized on January 25, 1993, 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 the building.

Common Ground Management Corporation d/b/a Breaking Ground Management (“BGM”), organized on January 26, 1995, was formed for the charitable purpose of managing low-income housing projects. It is also the central disbursement agent for all Breaking Ground entities.

Breaking Ground V LLC (“BG V”), organized on September 29, 2017 under the New York Limited Liability Company Law, was formed for the purpose of providing all services at the Prince George Ballroom. BG V did not have activities in 2017.

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Breaking Ground is the sole owner or controlling member of each General Partner (“GP”) or Managing Member (“MM”) listed below, which owns 0.01% of their associated LPs and LLCs. 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
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 Corp.
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 Corp.
La Central Supportive L.P.	La Central Supportive Housing LLC

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, BG II, BG III, BG IV, CGJTC, BGM (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/MM 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. 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.

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016.

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.

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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. Funds received in advance of being earned for these grants and contracts are recorded as deferred revenue in the accompanying consolidated statements of financial position.

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.

Other income includes fees that Breaking Ground earns related to the rent up of affordable housing units for third parties as well as miscellaneous fees earned from tenants.

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, 2017 and 2016 totaled \$6,730,905 and \$8,227,964, 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

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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, 2017 and 2016 totaled \$427,924 and \$201,627, 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.

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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 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, 2017 and 2016, 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.

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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. Breaking Ground has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. In addition, Breaking Ground has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities. 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.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year presentation.

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3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, as of December 31, 2017 and 2016, respectively, consisted of the following:

	<u>2017</u>	<u>2016</u>
Note receivable	\$ 13,179,600	\$ 11,783,526
Government grants and contracts	8,861,405	8,385,277
New York State Brownfield redevelopment tax credit	589,890	589,890
Housing Entity receivables	1,292,397	2,033,388
Contribution receivables	1,664,588	1,796,371
Tenant accounts receivables	1,187,485	802,390
Other	<u>557,597</u>	<u>1,002,708</u>
Accounts receivable, gross	27,332,962	26,393,550
Less: Allowance for doubtful accounts	<u>(427,924)</u>	<u>(201,627)</u>
Accounts receivable, net	<u>\$ 26,905,038</u>	<u>\$ 26,191,923</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, 2017 and 2016, respectively, consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 31,873,848	\$ 24,234,618
Certificate of deposit	1,800,000	1,800,000
Treasury bills	<u>5,330,773</u>	<u>5,731,069</u>
Total	<u>\$ 39,004,621</u>	<u>\$ 31,765,687</u>

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Breaking Ground's lender restricted cash and contractual reserves classified within the fair value hierarchy as of December 31, 2017 and 2016, respectively, consisted of the following:

	<u>2017</u>	
		<u>Total</u>
Cash and cash equivalents		\$ 31,873,848
	<u>Level 2</u>	
Certificate of deposit	\$ 1,800,000	1,800,000
Treasury bills	<u>5,330,773</u>	<u>5,330,773</u>
Total	<u>\$ 7,130,773</u>	<u>\$ 39,004,621</u>
	<u>2016</u>	
		<u>Total</u>
Cash and cash equivalents		\$ 24,234,618
	<u>Level 2</u>	
Certificate of deposit	\$ 1,800,000	1,800,000
Treasury bills	<u>5,731,069</u>	<u>5,731,069</u>
Total	<u>\$ 7,531,069</u>	<u>\$ 31,765,687</u>

Interest income for the years ended December 31, 2017 and 2016, totaled \$106,907 and \$78,691, respectively and is recorded as other income within the consolidated statements of activities. Contractual reserve fees for the years ended December 31, 2017 and 2016, totaled \$64,911 and \$56,346, 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, 2017 and 2016, respectively, consisted of the following:

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 490,219,607	\$ 413,811,919
Leasehold improvements	3,948,109	4,855,860
Furniture and equipment	18,699,277	16,790,054
Land improvements	<u>10,384,056</u>	<u>10,384,056</u>
	523,251,049	445,841,889
Less: Accumulated depreciation	(126,505,863)	(114,814,335)
Land	43,072,627	41,766,670
Construction-in-progress	<u>83,511,797</u>	<u>91,044,784</u>
Total property and equipment, net	<u>\$ 523,329,610</u>	<u>\$ 463,839,008</u>

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Depreciation and amortization expense totaled \$12,656,103 and \$12,148,895 for the years ended December 31, 2017 and 2016, respectively. Ongoing construction-in-progress projects relating to Prince George Associates, L.P., Webster Avenue Supportive LLC, and La Central Supportive L.P are expected to be completed in 2018, 2018 and 2019, 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:

	<u>2017</u>	<u>2016</u>	<u>Maturity Date</u>	<u>Interest 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 %
BG II - 1630 Dewey Avenue LLC	299,990	299,990	9/30/2025	0 %
BG 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	8,682,463	4,182,463	4/30/2020	N/A
BG II - Prince George Associates, L.P.	-	330,000	1/31/2018	N/A
BG - Neighborhood Stabilization Program	1,781,176	1,957,647	6/9/2027	N/A
BG II - HOME Investment Partnership Program	573,953	573,953	8/31/2040	N/A
BG II - HUD Continuum of Care	<u>300,000</u>	<u>300,000</u>	9/30/2040	N/A
Total project grant advances	<u>\$ 24,642,582</u>	<u>\$ 20,649,053</u>		

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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, 2017 and 2016, respectively, consisted of the following:

Entity	Lender	2017	2016	Final Maturity Date	Interest Rate
BG	Mizuho Bank (USA)	\$ 3,100,000	\$ 3,100,000	10/16/2019	LIBOR plus 1.5%
BG	van Ameringen Foundation	750,000	1,000,000	8/1/2019	2%
BG	JPMorgan Chase Bank, N.A.	-	-	9/30/2018	3%
BG	U.S. Department of Housing and Urban Development	13,179,600	11,783,526	12/1/2054	Non-interest bearing
BG	Wells Fargo Community Investment Holdings	600,000	600,000	12/26/2020	2%
BG	Wells Fargo Community Investment Holdings	600,000	-	5/30/2023	2%
T.S. Hotel LLC	NYC Department of Housing Preservation and Development	17,859,752	17,859,752	5/15/2025	1%
T.S. Hotel LLC	NYC Department of Housing Preservation and Development	10,990,355	10,990,355	7/1/2041	1%
T.S. Hotel LLC	M-Core Credit Corporation	620,253	406,010	8/15/2023	6.49%
BG IV	NYC Department of Housing Preservation and Development	2,362,940	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	1,331,809	925,698	1/5/2040	1%
BG IV	MacArthur Foundation	1,000,000	2,000,000	10/1/2018	2%
BG IV	NYS Housing Finance Agency	581,000	581,000	1/5/2040	Non-interest bearing
BG II	Supportive Housing Solutions Fund LLC	-	500,000	6/30/2017	6.50%
BG II	Supportive Housing Solutions Fund LLC	443,702	418,248	9/1/2018	6%
BG II	Supportive Housing Solutions Fund LLC	6,750	-	1/1/2020	6%
Prince George Associates, L.P.	NYC Department of Housing Preservation and Development	12,562,528	12,558,826	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	2,747,404	37,073	4/27/2018	5%
Prince George Associates, L.P.	TD Bank, NA	2,747,391	37,073	4/27/2018	4%
Chelsea Residence Limited Partnership	NYC Department of Housing Preservation and Development	16,492,919	16,487,241	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	19,489,725	19,479,547	4/29/2038	1%
Pitt Street L.P.	NYC Department of Housing Preservation and Development	24,305,591	24,290,221	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	17,496,004	17,491,450	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	691,128	689,358	11/26/2050	Non-interest bearing

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Entity	Lender	2017	2016	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	296,073	306,564	9/1/2042	1%
410 Asylum Street, LLC	Connecticut Housing Finance Authority	3,648,668	3,711,220	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	17,518,654	17,505,139	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	5,603,694	5,601,419	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	3,000,000	2,750,966	1/14/2043	1%
1630 Dewey Avenue LLC	Housing Trust Fund Corporation	1,651,135	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	4/24/2047	Non-interest bearing
Boston Road Housing L.P.	NYC Department of Housing Preservation and Development - Reso A	2,000,000	778,965	4/24/2047	Non-interest bearing
Boston Road Housing L.P.	NYS Homeless Housing Assistance Corporation	3,720,000	3,506,822	12/3/2042	1%
Boston Road Housing L.P.	NYS Housing Finance Agency	4,958,021	10,311,567	7/1/2046	2%
Boston Road Housing L.P.	NYS Housing Finance Agency	6,930,000	6,689,606	7/1/2046	6%
Boston Road Housing L.P.	NYC Department of Housing Preservation and Development	3,680,436	-	1/13/2046	1%
				30 years following LOC	
Webster Avenue Affordable LLC	NYC Department of Housing Preservation and Development	17,360,000	17,360,000	release	0.75%
Webster Avenue Affordable LLC	NYS Homeless Housing Assistance Corporation	2,000,000	2,000,000	30 years	Non-interest bearing
Webster Avenue Affordable LLC	NYC Housing Development Corporation	38,381,781	28,710,099	7/31/2048	LT-5.7% / ST-2.1%
Webster Avenue Affordable LLC	NYC Housing Development Corporation	4,755,000	4,755,000	7/31/2048	1.25%
				10/31/2018 or 30 years after	
Webster Avenue Supportive LLC	NYC Department of Housing Preservation and Development	9,917,515	6,100,285	conversion occurs	0.25%
Webster Avenue Supportive LLC	NYS Homeless Housing Assistance Corporation	2,006,938	1,351,611	30 years after occupancy	
Webster Avenue Supportive LLC	NYS Housing Finance Agency	28,842,215	11,557,483	ST-9/1/2019 / LT-	LT-4.75% / ST-2%
				7/1/2048	
Webster Avenue Supportive LLC	NYS Housing Finance Agency	1,865,151	-	8/31/2048	6%
La Central Supportive L.P.	NYC Department of Housing Preservation and Development	1,725,594	-	6/29/2019	0.25%
La Central Supportive L.P.	NYS Housing Finance Agency	8,656,765	-	2/1/2050	LT-4.5% / ST-2.3%
La Central Supportive L.P.	NYS Housing Finance Agency	2,522,812	-	2/1/2050	6%
La Central Supportive L.P.	NYS Homeless Housing Assistance Corporation	208,880	-	6/29/2019	0.25%
	Total mortgages and notes payable	\$ 377,503,890	\$ 324,979,558		

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The following scheduled future principal payments, follow:

Year Ending December 31,	<u>Amount</u>
2018	\$ 17,339,828
2019	34,923,330
2020	566,642
2021	705,470
2022	467,443
Thereafter	<u>323,501,177</u>
	<u>\$ 377,503,890</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, 2017 and 2016, 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, 2018 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, 2017 and 2016, respectively.

Interest and service fees totaling \$4,107,022 and \$3,484,022 were expensed for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, respectively, was derived from the following Federal, New York City and state government agencies:

	<u>2017</u>	<u>2016</u>
NYC Department of Homeless Services	\$ 24,880,505	\$ 17,714,391
NYC HIV/AIDS Service Administration	2,517,125	2,565,063
NYS Department of Health and Mental Hygiene	2,253,136	2,273,560
U.S. Department of Veteran Affairs	589,180	1,358,396
NYS Office of Mental Health	325,247	545,537
U.S. Department of Housing and Urban Development	468,170	472,169
NYS Office of Temporary and Disability Assistance	279,360	279,360
CT Department of Mental Health and Addiction Services	97,457	99,322
NYC Department of Design and Construction	1,897	-
	<u>\$ 31,412,077</u>	<u>\$ 25,307,798</u>

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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 \$392,059 and \$390,955 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, the liability relating to this plan totaled \$193,566 and \$139,224, 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 \$3,609,280 and \$2,985,003 for the years ended December 31, 2017 and 2016, respectively. Estimated future minimum lease payments due under the terms of the leases follow:

	<u>Amount</u>
Year Ending December 31,	
2018	\$ 3,288,627
2019	2,377,313
2020	1,974,980
2021	1,548,031
2022	975,939
Thereafter	<u>972,257</u>
	<u>\$ 11,137,147</u>

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

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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 \$1,671,322 and \$1,684,115 for the years ended December 31, 2017 and 2016, respectively. Estimated future minimum receipts due under the terms of the leases follow:

	<u>Amount</u>
Year Ending December 31,	
2018	\$ 1,456,803
2019	1,494,570
2020	1,456,735
2021	1,152,309
2022	865,081
Thereafter	<u>1,092,958</u>
	<u>\$ 7,518,456</u>

Guarantees

Breaking Ground, through its affiliates, is the GP and sponsor of 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, and La Central Supportive L.P.

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 \$500,893 and \$503,419 as of December 31, 2017 and 2016, respectively.

Brook Avenue Housing L.P.:

BG 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, 2017 and 2016, respectively, the amount of guarantees totaled \$3,667,785.

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

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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 BG 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, 2017 and 2016, 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, 2017 and 2016, respectively. Once breakeven is achieved, the guarantee for operating deficits is limited to \$303,633 for a period of three years. As of December 31, 2017 and 2016, no amounts were unfunded under this guarantee.

Common Ground Cedarwoods Housing LLC:

BG and BG 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. As of December 31, 2017 and 2016, no amounts were unfunded under this guarantee.

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, 2017 and 2016, 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 BG 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, 2017 and 2016, no amounts were unfunded under this guarantee.

Boston Road Housing L.P.:

BG and BG II have provided tax credit compliance and operating deficit guarantees as defined in the operating agreement. Operating deficits are limited to \$500,000 for three years after stabilization and after exhausting operating reserves of \$1,500,000.

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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 tax credit compliance and operating deficit guarantees for the operational phase of the project. Operating deficits are limited to \$1,000,000. Construction completion was achieved in 2017 and the conversion to permanent financing is expected in 2018, at which time the construction period guarantees will expire.

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 BG 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 the New York State Housing Finance Authority (“HFA”), the proceeds of which will be used to finance the construction of this property. BG has also provided tax credit compliance and operating deficit 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 and the conversion to permanent financing is expected in 2019, at which time the construction period guarantees will expire.

La Central Supportive L.P.:

In its capacity as developer for La Central Supportive L.P., BG has guaranteed the completion of construction of La Central Supportive L.P. 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 HFA, the proceeds of which will be used to finance the construction of this property. BG has also provided tax credit compliance and operating deficit guarantees for the operational phase of the project. Operating deficits are limited to \$900,000. Construction completion is expected in 2019.

Management Fee Guarantees:

The property management fee is based on certain percentages of the monthly rents collected by the project, as defined. 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.

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 HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016, respectively, because it was 90% and 91% 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, 2017 and 2016, Breaking Ground contributed \$78,856 and \$25,097, respectively, to the Fund, which is less than 5% of the plan's contributions.

Other Contingencies

Breaking Ground is subject to litigation 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 governmental 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. Breaking Ground creates a general provision for government contracts based on past experiences and current year contract assessments.

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>2017</u>	<u>2016</u>
Salaries	\$ 392,114	\$ 400,749
Payroll taxes and employee benefits	103,249	105,470
Gala	303,707	239,626
Other	<u>52,878</u>	<u>4,589</u>
	<u>\$ 851,948</u>	<u>\$ 750,434</u>

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

For the years ended December 31, 2017 and 2016, respectively, total depreciation and amortization and interest and service fees were allocated to the following functional categories:

	2017			
	Direct Expenses	Depreciation and Amortization	Interest and Service Fees	Total
Social services	\$ 32,967,484	\$ 411,503	\$ 35,672	\$ 33,414,659
Housing management and development	5,536,839	-	45,000	5,581,839
Affordable housing operations	21,595,795	12,093,220	3,815,913	37,504,928
General and administrative	7,856,930	151,380	210,437	8,218,747
Fundraising	851,948	-	-	851,948
Total	<u>\$ 68,808,996</u>	<u>\$ 12,656,103</u>	<u>\$ 4,107,022</u>	<u>\$ 85,572,121</u>

	2016			
	Direct Expenses	Depreciation and Amortization	Interest and Service Fees	Total
Social services	\$ 26,909,791	\$ 408,626	\$ 35,672	\$ 27,354,089
Housing management and development	4,153,950	-	40,000	4,193,950
Affordable housing operations	21,256,962	11,539,863	3,259,511	36,056,336
General and administrative	6,659,636	200,406	148,839	7,008,881
Fundraising	750,434	-	-	750,434
Total	<u>\$ 59,730,773</u>	<u>\$ 12,148,895</u>	<u>\$ 3,484,022</u>	<u>\$ 75,363,690</u>

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 and 2016, respectively, consisted of the following:

	2017	2016
Housing Operations and Tenant Services	\$ 817,356	\$ 702,059
Street to Home & Veteran's Initiative	55,608	147,030
Webster Affordable Housing Development	265,711	265,711
Mott Haven Housing Development	217,231	-
HUD Capital Advance	8,279,725	8,042,295
Development Reserve	750,000	750,000
Time-restricted Gifts	295,000	400,000
	<u>\$ 10,680,631</u>	<u>\$ 10,307,095</u>

BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

13. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2017 and 2016, respectively, temporarily restricted net assets that were released from restrictions in satisfaction of donor time or purpose restrictions consisted of the following:

	<u>2017</u>	<u>2016</u>
Housing Operations and Tenant Services	\$ 876,403	\$ 824,623
Elderly Care Health Outreach	-	3,924
Street to Home & Veteran's Initiative	113,922	64,970
Boston Road Housing Development	-	145,019
Webster Affordable Housing Development	-	278,148
Mott Haven Housing Development	32,769	-
HUD Capital Advance	255,616	243,706
Time-restricted Gifts	235,000	275,000
	<u>\$ 1,513,710</u>	<u>\$ 1,835,390</u>

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 parties referred to above as of December 31, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 1,345,647	\$ 778,879
Accounts payable and accrued expenses	641,617	372,862

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, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
Government grants and contracts revenue	\$ 2,503,785	\$ 1,579,729
Other income	960,800	619,935
Social services expense	2,362,303	1,706,675

**BREAKING GROUND HOUSING DEVELOPMENT FUND CORPORATION
AND AFFILIATES**
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

15. SUBSEQUENT EVENTS

Breaking Ground evaluated its December 31, 2017 consolidated financial statements for subsequent events through June 14, 2018, the date the consolidated financial statements were available to be issued and determined that the following event was pertinent:

In April 2018, Prince George Associates, L.P. closed on transferrable development rights contracts with 215 West 28th Street Property Owner LLC, Five Points II LLC, and 5th Ave Gateway Land, LLC and paid off the Low Income Investment Fund and TD Bank, NA loans in full.

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, 2017

	Breaking Ground H.D.F.C.	Breaking Ground Management	Breaking Ground II H.D.F.C.	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
ASSETS									
CURRENT ASSETS									
Cash	\$ 1,427,754	\$ 407,331	\$ 979,117	\$ 76,928	\$ 16,836	\$ 397,909	\$ 3,628	\$ -	\$ 3,309,503
Lender restricted cash	2,509,702	-	13,873,218	-	890	-	-	-	16,383,810
Accounts receivable, net	2,484,652	7,091,370	1,336,719	52,219	721,549	5,598	641,656	(331,908)	12,001,855
Advances due from affiliates	99,789,745	12,818,475	23,746,584	7,500	1,060,053	8,296,636	508,609	(134,700,030)	11,527,572
Development fee receivable	19,347	-	3,180,799	-	-	62,420	-	-	3,262,566
Other assets, net	522,976	543,514	76,196	225	5,893	118	-	-	1,148,922
Total current assets	106,754,176	20,860,690	43,192,633	136,872	1,805,221	8,762,681	1,153,893	(135,031,938)	47,634,228
NONCURRENT ASSETS									
Contractual reserves	8,037,612	-	3,819,297	-	962	500,893	-	-	12,358,764
Accounts receivable, net	13,849,600	333,192	-	-	-	-	540,000	(333,192)	14,389,600
Tenant security deposits	180,505	19,935	180,063	-	-	327,498	-	-	708,001
Development fees receivable	4,176,734	-	10,699,109	-	-	-	-	-	14,875,843
Affiliate notes and interest receivable	38,462,532	913,292	13,067,582	-	-	1,979,694	-	(8,579,694)	45,843,406
Investment in housing entities	(5,714)	-	(1,943,148)	(16,002)	-	-	7,843,586	-	5,878,722
Other assets, net	537,902	348,054	-	-	-	84,474	-	-	970,430
Property and equipment, net	36,883,250	280,603	40,090,493	-	12,415,124	298,428	-	-	89,967,898
Total noncurrent assets	102,122,421	1,895,076	65,913,396	(16,002)	12,416,086	3,190,987	8,383,586	(8,912,886)	184,992,664
Total assets	\$ 208,876,597	\$ 22,755,766	\$ 109,106,029	\$ 120,870	\$ 14,221,307	\$ 11,953,668	\$ 9,537,479	\$ (143,944,824)	\$ 232,626,892
LIABILITIES AND NET ASSETS (DEFICIT)									
CURRENT LIABILITIES									
Accounts payable and accrued expenses	\$ 1,115,039	\$ 4,531,116	\$ 460,724	\$ 4,761	\$ 82,987	\$ 25,682	\$ 613,246	\$ (331,908)	\$ 6,501,647
Construction payable	-	-	3,754,694	-	-	-	-	-	3,754,694
Accrued interest payable - mortgages and notes	-	-	51,778	-	-	-	-	-	51,778
Advances due to affiliates	41,992,239	76,862,598	9,728,226	89,697	6,408,909	996,753	1,508,003	(134,700,030)	2,886,395
Deferred revenue	655,902	5,316,428	10,850,495	48,836	928,566	-	-	-	17,800,227
Project grant advances	176,471	-	-	-	-	-	-	-	176,471
Mortgages and notes payable	343,606	-	5,938,496	-	1,000,000	-	-	-	7,282,102
Total current liabilities	44,283,257	86,710,142	30,784,413	143,294	8,420,462	1,022,435	2,121,249	(135,031,938)	38,453,314
NONCURRENT LIABILITIES									
Security deposits	195,446	25,721	179,758	-	-	338,498	-	-	739,423
Other liabilities	-	193,566	833,013	-	-	-	-	(333,192)	693,387
Accrued interest payable - mortgages and notes	1,411,912	-	3,188,933	-	283,780	-	-	-	4,884,625
Deferred revenue	823,592	410,224	2,567,695	-	-	55,750	-	-	3,857,261
Project grant advances	21,792,168	-	2,173,943	-	500,000	-	-	-	24,466,111
Affiliate notes and interest payable	-	-	8,579,694	-	-	-	-	(8,579,694)	-
Mortgages and notes payable, net	47,356,354	-	16,569,279	-	9,974,049	-	-	-	73,899,682
Total noncurrent liabilities	71,579,472	629,511	34,092,315	-	10,757,829	394,248	-	(8,912,886)	108,540,489
Total liabilities	115,862,729	87,339,653	64,876,728	143,294	19,178,291	1,416,683	2,121,249	(143,944,824)	146,993,803
Net assets (deficit)									
Unrestricted	82,333,237	(64,583,887)	44,229,301	(22,424)	(4,956,984)	10,536,985	7,416,230	-	74,952,458
Temporarily restricted	10,680,631	-	-	-	-	-	-	-	10,680,631
Total net assets (deficit)	93,013,868	(64,583,887)	44,229,301	(22,424)	(4,956,984)	10,536,985	7,416,230	-	85,633,089
Total liabilities and net assets	\$ 208,876,597	\$ 22,755,766	\$ 109,106,029	\$ 120,870	\$ 14,221,307	\$ 11,953,668	\$ 9,537,479	\$ (143,944,824)	\$ 232,626,892

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, 2017

	Breaking Ground H.D.F.C.	Breaking Ground Management	Breaking Ground II H.D.F.C.	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	\$ 4,875,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,875,718
Government grants and contracts	10,188,539	15,507,218	1,649,035	282,517	3,784,768	-	-	-	31,412,077
Management and partnership fees	-	2,257,187	-	-	-	-	170,000	(952,160)	1,475,027
Development fees	-	-	4,750,884	-	-	-	-	-	4,750,884
Rental income	8,392,818	181,506	4,725,097	-	11,397	1,259,995	-	(720,205)	13,850,608
Other income (loss)	1,319,030	2,297,026	538,975	-	1,316	21,650	(998)	-	4,176,999
Total revenues and support	<u>24,776,105</u>	<u>20,242,937</u>	<u>11,663,991</u>	<u>282,517</u>	<u>3,797,481</u>	<u>1,281,645</u>	<u>169,002</u>	<u>(1,672,365)</u>	<u>60,541,313</u>
EXPENSES									
Program services:									
Social services	11,470,468	15,812,481	1,677,392	281,945	3,904,600	-	-	-	33,146,886
Housing management and development	-	5,536,839	-	-	-	-	-	-	5,536,839
Affordable housing operations	6,028,752	160,322	4,365,873	-	-	-	-	(1,672,365)	8,882,582
Total program services	<u>17,499,220</u>	<u>21,509,642</u>	<u>6,043,265</u>	<u>281,945</u>	<u>3,904,600</u>	<u>-</u>	<u>-</u>	<u>(1,672,365)</u>	<u>47,566,307</u>
Supporting services:									
General and administrative	91,523	6,469,518	126,536	(155)	-	982,316	187,192	-	7,856,930
Fundraising	851,948	-	-	-	-	-	-	-	851,948
Depreciation and amortization	1,671,136	80,918	1,144,656	-	408,626	70,464	-	-	3,375,800
Interest and service fees	480,333	179,100	197,540	-	35,672	-	-	-	892,645
Total supporting services	<u>3,094,940</u>	<u>6,729,536</u>	<u>1,468,732</u>	<u>(155)</u>	<u>444,298</u>	<u>1,052,780</u>	<u>187,192</u>	<u>-</u>	<u>12,977,323</u>
Total expenses	<u>20,594,160</u>	<u>28,239,178</u>	<u>7,511,997</u>	<u>281,790</u>	<u>4,348,898</u>	<u>1,052,780</u>	<u>187,192</u>	<u>(1,672,365)</u>	<u>60,543,630</u>
Change in net assets before other non-recurring items	4,181,945	(7,996,241)	4,151,994	727	(551,417)	228,865	(18,190)	-	(2,317)
Other non-recurring item:									
Gain on forgiveness of project grant advance	-	-	330,000	-	-	-	-	-	330,000
Changes in net assets	<u>4,181,945</u>	<u>(7,996,241)</u>	<u>4,481,994</u>	<u>727</u>	<u>(551,417)</u>	<u>228,865</u>	<u>(18,190)</u>	<u>-</u>	<u>327,683</u>
Net assets (deficit), beginning of year	<u>88,831,923</u>	<u>(56,587,646)</u>	<u>39,747,307</u>	<u>(23,151)</u>	<u>(4,405,567)</u>	<u>10,308,120</u>	<u>7,434,420</u>	<u>-</u>	<u>85,305,406</u>
Net assets (deficit), end of year	<u>\$ 93,013,868</u>	<u>\$ (64,583,887)</u>	<u>\$ 44,229,301</u>	<u>\$ (22,424)</u>	<u>\$ (4,956,984)</u>	<u>\$ 10,536,985</u>	<u>\$ 7,416,230</u>	<u>\$ -</u>	<u>\$ 85,633,089</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, 2017

	Chelsea Residence Limited Partnership	Schermerhorn L.P.	Pitt Street L.P.	Brook Avenue Housing L.P.	St. Marks Brownsville L.P.	410 Asylum Street (Combined)	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	La Central Supportive LP	Housing Entities Eliminations	Total Housing Entities
ASSETS															
CURRENT ASSETS															
Cash	\$ 217,191	\$ 134,157	\$ 411,626	\$ 433,002	\$ 195,396	\$ 881,592	\$ 1,027,794	\$ 90,110	\$ 116,872	\$ 689,718	\$ 94,261	\$ -	\$ -	\$ -	\$ 4,291,719
Lender restricted cash	-	-	-	-	71,500	-	-	-	-	-	294	423,068	305,254	-	800,116
Contractual reserves	-	-	204	-	-	75,879	-	-	-	-	-	-	-	-	76,083
Accounts receivable, net	115,887	256,434	173,586	168,318	69,973	6,933	145,205	35,562	1,662	88,419	429,444	30	1	-	1,491,454
Advances due from affiliates	23,196	1,327,416	577,841	957,904	-	-	-	38	-	-	-	470,700	-	(470,700)	2,886,395
Other assets, net	35,887	6,908	19,512	6,586	21,596	8,986	5,656	54	16,982	23,795	50,356	-	-	-	196,318
Total current assets	392,161	1,724,915	1,182,769	1,565,810	358,465	973,390	1,178,655	125,764	135,516	801,932	574,355	893,798	305,255	(470,700)	9,742,085
NONCURRENT ASSETS															
Lender restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contractual reserves	1,302,969	421,889	395,258	313,322	906,422	1,103,373	388,402	653,782	650,875	3,249,556	-	-	-	-	9,385,848
Tenant security deposits	45,453	91,005	72,550	53,976	13,190	52,082	37,408	38,406	33,966	30,478	-	-	-	-	468,514
Other assets, net	2,757	-	44,227	32,112	44,325	116,651	-	26,880	47,684	14,190	154,363	-	-	-	483,189
Property and equipment, net	19,834,920	45,403,388	47,627,004	30,721,241	20,611,514	17,287,912	35,135,131	11,118,018	12,783,056	45,385,279	82,971,852	56,693,274	17,277,812	-	442,850,401
Total noncurrent assets	21,186,099	45,916,282	48,139,039	31,120,651	21,575,451	18,560,018	35,560,941	11,837,086	13,515,581	48,679,503	83,126,215	56,693,274	17,277,812	-	453,187,952
Total assets	\$ 21,578,260	\$ 47,641,197	\$ 49,321,808	\$ 32,686,461	\$ 21,933,916	\$ 19,533,408	\$ 36,739,596	\$ 11,962,850	\$ 13,651,097	\$ 49,481,435	\$ 83,700,570	\$ 57,587,072	\$ 17,583,067	\$ (470,700)	\$ 462,930,037
LIABILITIES AND PARTNERS'/MEMBERS' EQUITY (DEFICIT)															
CURRENT LIABILITIES															
Accounts payable and accrued expenses	\$ 171,458	\$ 336,717	\$ 197,026	\$ 152,594	\$ 128,665	\$ 80,103	\$ 211,039	\$ 79,451	\$ 118,771	\$ 151,786	\$ 19,021	\$ -	\$ 106,427	\$ -	\$ 1,753,058
Construction payable	4,914	-	-	-	71,500	-	-	-	-	25,000	3,621,522	2,983,912	2,260,114	-	8,966,962
Accrued interest payable - mortgages and notes	-	-	-	-	-	16,428	-	-	-	-	-	-	-	-	16,428
Advances due to affiliates	562,443	1,871,436	2,114	-	2,654,579	3,091,481	26,671	271,477	151,532	1,065,018	1,375,847	589,767	335,907	(470,700)	11,527,572
Development fee payable	62,420	-	-	-	-	-	19,347	-	-	-	5,786,590	287,504	-	-	6,155,861
Mortgages and notes payable	-	-	-	-	-	36,511	-	-	-	103,700	-	9,917,515	-	-	10,057,726
Total current liabilities	801,235	2,208,153	199,140	152,594	2,854,744	3,224,523	257,057	350,928	270,303	1,345,504	10,802,980	13,778,698	2,702,448	(470,700)	38,477,607
NONCURRENT LIABILITIES															
Security deposits	45,850	92,910	71,484	53,976	13,145	50,518	37,408	36,868	33,966	30,478	13,085	-	-	-	479,688
Other liabilities	-	50,000	-	415,000	-	90,000	-	27,342	-	-	-	-	-	-	582,342
Construction payable	-	-	-	-	-	-	-	-	-	-	-	-	705,331	-	705,331
Accrued interest payable - mortgages and notes	961,425	2,132,819	2,175,750	1,594,806	150,272	242,391	1,219,462	-	212,759	1,442,418	-	-	-	-	10,132,102
Development fees payable	-	2,924,565	3,949,948	1,748,681	1,020,000	-	232,169	-	-	1,411,986	2,213,410	1,974,641	724,497	-	16,199,897
Affiliate notes and interest payable	1,000,000	708,840	2,662,366	1,537,500	14,249,418	699,754	4,860,664	1,107,619	1,316,141	2,098,641	6,920,000	8,682,463	-	-	45,843,406
Mortgages and notes payable, net	21,962,333	26,239,525	30,826,349	20,996,004	2,494,428	11,982,038	24,009,417	9,033,694	4,651,135	25,744,321	62,496,781	32,714,304	13,114,051	-	286,264,380
Total noncurrent liabilities	23,969,608	32,148,659	39,685,897	26,345,967	17,927,263	13,064,701	30,359,120	10,205,523	6,214,001	30,727,844	71,643,276	43,371,408	14,543,879	-	360,207,146
Total liabilities	24,770,843	34,356,812	39,885,037	26,498,561	20,782,007	16,289,224	30,616,177	10,556,451	6,484,304	32,073,348	82,446,256	57,150,106	17,246,327	(470,700)	398,684,753
Partners'/members' equity (deficit)															
Controlling interest	(943)	(1,513)	(1,223)	(1,078)	19	1,274,326	(674)	(260)	1,708,667	(182)	(205)	-	-	-	2,976,934
Noncontrolling interest	(3,191,640)	13,285,898	9,437,994	6,188,978	1,151,890	1,969,858	6,124,093	1,406,659	5,458,126	17,408,269	1,254,519	436,966	336,740	-	61,268,350
Total partners'/members' equity (deficit)	(3,192,583)	13,284,385	9,436,771	6,187,900	1,151,909	3,244,184	6,123,419	1,406,399	7,166,793	17,408,087	1,254,314	436,966	336,740	-	64,245,284
Total liabilities and partners'/members' equity	\$ 21,578,260	\$ 47,641,197	\$ 49,321,808	\$ 32,686,461	\$ 21,933,916	\$ 19,533,408	\$ 36,739,596	\$ 11,962,850	\$ 13,651,097	\$ 49,481,435	\$ 83,700,570	\$ 57,587,072	\$ 17,583,067	\$ (470,700)	\$ 462,930,037

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, 2017

	Chelsea Residence Limited Partnership	Schermerhorn L.P.	Pitt Street L.P.	Brook Avenue Housing L.P.	St. Marks Brownsville L.P.	410 Asylum Street (Combined)	Hegeman Avenue Housing L.P.	Common Ground Cedarwoods Housing LLC	1630 Dewey Avenue LLC	Boston Road Housing, L.P.	Webster Avenue Affordable LLC	Housing Entities Eliminations	Total Housing Entities
REVENUES AND SUPPORT													
Rental income	\$ 2,119,985	\$ 2,224,807	\$ 2,493,875	\$ 1,971,036	\$ 1,054,296	\$ 1,005,288	\$ 1,732,996	\$ 468,009	\$ 582,065	\$ 1,884,353	\$ 15,201	\$ -	\$ 15,551,911
Other income	104,830	162,546	101,668	67,502	149,742	63,024	52,422	13,274	29,643	41,076	103,943	-	889,670
Total revenues and support	<u>2,224,815</u>	<u>2,387,353</u>	<u>2,595,543</u>	<u>2,038,538</u>	<u>1,204,038</u>	<u>1,068,312</u>	<u>1,785,418</u>	<u>481,283</u>	<u>611,708</u>	<u>1,925,429</u>	<u>119,144</u>	<u>-</u>	<u>16,441,581</u>
EXPENSES													
Program services:													
Affordable housing operations	1,940,978	2,204,988	2,486,886	2,045,608	1,017,343	718,311	1,660,221	510,249	732,890	1,185,804	693,450	-	15,196,728
Total program services	<u>1,940,978</u>	<u>2,204,988</u>	<u>2,486,886</u>	<u>2,045,608</u>	<u>1,017,343</u>	<u>718,311</u>	<u>1,660,221</u>	<u>510,249</u>	<u>732,890</u>	<u>1,185,804</u>	<u>693,450</u>	<u>-</u>	<u>15,196,728</u>
Supporting services:													
Depreciation and amortization	623,929	1,452,039	1,296,427	1,013,664	855,808	616,374	1,092,498	381,541	468,193	1,173,703	591,315	-	9,565,491
Interest and service fees	87,916	274,795	417,997	215,554	545,631	344,331	286,923	12,709	51,839	739,541	889,123	-	3,866,359
Total supporting services	<u>711,845</u>	<u>1,726,834</u>	<u>1,714,424</u>	<u>1,229,218</u>	<u>1,401,439</u>	<u>960,705</u>	<u>1,379,421</u>	<u>394,250</u>	<u>520,032</u>	<u>1,913,244</u>	<u>1,480,438</u>	<u>-</u>	<u>13,431,850</u>
Total expenses	<u>2,652,823</u>	<u>3,931,822</u>	<u>4,201,310</u>	<u>3,274,826</u>	<u>2,418,782</u>	<u>1,679,016</u>	<u>3,039,642</u>	<u>904,499</u>	<u>1,252,922</u>	<u>3,099,048</u>	<u>2,173,888</u>	<u>-</u>	<u>28,628,578</u>
Net (loss) income	<u>\$ (428,008)</u>	<u>\$ (1,544,469)</u>	<u>\$ (1,605,767)</u>	<u>\$ (1,236,288)</u>	<u>\$ (1,214,744)</u>	<u>\$ (610,704)</u>	<u>\$ (1,254,224)</u>	<u>\$ (423,216)</u>	<u>\$ (641,214)</u>	<u>\$ (1,173,619)</u>	<u>\$ (2,054,744)</u>	<u>\$ -</u>	<u>\$ (12,186,997)</u>

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