

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

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

December 31, 2019 and 2018

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Melville, NY 11747-3601**D** +1 631 249 6001**F** +1 631 249 6144**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, 2019 and 2018, 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., Webster Avenue Affordable LLC, Webster Avenue Supportive LLC, and La Central Supportive LP (collectively, the "Controlled Housing Entities"), which statements reflect total assets constituting \$493,315,529, or 55% and \$440,513,591, or 54% of consolidated total assets as of December 31, 2019 and 2018, respectively, and total revenues of \$24,644,309, or 27% and \$19,388,304, or 21%, 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, 2019 and 2018, 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, 2019 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 25, 2020

Breaking Ground Housing Development Fund Corporation and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2019 and 2018, with consolidating information as of December 31, 2019

	2019			2018	
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated Total	Consolidated Total
ASSETS					
CURRENT ASSETS					
Cash	\$ 9,262,166	\$ 4,488,154	\$ -	\$ 13,750,320	\$ 11,982,121
Lender restricted cash	2,488,964	75,499	-	2,564,463	2,289,188
Contractual reserves	-	543,771	-	543,771	249,021
Accounts receivable, net	13,673,511	2,157,927	(740,289)	15,091,149	13,267,072
Advances due from affiliates	10,979,910	2,887,853	(13,867,763)	-	-
Development fees receivable	1,782,171	-	-	1,782,171	4,690,052
Other assets, net	1,229,196	564,962	-	1,794,158	1,170,283
Total current assets	<u>39,415,918</u>	<u>10,718,166</u>	<u>(14,608,052)</u>	<u>35,526,032</u>	<u>33,647,737</u>
NONCURRENT ASSETS					
Contractual reserves	17,727,903	10,665,211	-	28,393,114	27,772,014
Accounts receivable, net	14,834,600	-	(680,000)	14,154,600	14,064,600
Tenant security deposits	657,430	647,737	-	1,305,167	1,306,656
Development fees receivable	26,247,464	-	(14,439,855)	11,807,609	4,617,488
Affiliate notes and interest receivable	37,744,654	-	(37,744,654)	-	-
Investment in Housing Entities	5,875,503	-	(5,875,503)	-	-
Other assets, net	821,872	507,099	-	1,328,971	1,203,775
Property and equipment, net	258,811,601	549,509,605	(11,627,000)	796,694,206	735,354,941
Total noncurrent assets	<u>362,721,027</u>	<u>561,329,652</u>	<u>(70,367,012)</u>	<u>853,683,667</u>	<u>784,319,474</u>
Total assets	<u>\$ 402,136,945</u>	<u>\$ 572,047,818</u>	<u>\$ (84,975,064)</u>	<u>\$ 889,209,699</u>	<u>\$ 817,967,211</u>

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

Breaking Ground Housing Development Fund Corporation and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

As of December 31, 2019 and 2018, with consolidating information as of December 31, 2019

	2019			2018	
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated Total	Consolidated Total
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 8,356,234	\$ 2,982,872	\$ (1,129,874)	\$ 10,209,232	\$ 8,667,629
Construction payable	108,373	9,015,390	-	9,123,763	8,790,723
Accrued interest payable - mortgages and notes	-	15,819	-	15,819	27,478
Advances due to affiliates	2,887,853	10,979,910	(13,867,763)	-	-
Deferred revenue	9,385,921	676,668	-	10,062,589	8,305,015
Project grant advances	176,471	-	-	176,471	176,471
Development fees payable	-	2,545,958	-	2,545,958	7,582,253
Mortgages and notes payable	<u>706,543</u>	<u>678,975</u>	<u>-</u>	<u>1,385,518</u>	<u>41,670,493</u>
Total current liabilities	<u>21,621,395</u>	<u>26,895,592</u>	<u>(14,997,637)</u>	<u>33,519,350</u>	<u>75,220,062</u>
NONCURRENT LIABILITIES					
Security deposits	645,984	644,471	-	1,290,455	1,343,332
Other liabilities	862,580	744,462	(680,000)	927,042	798,040
Accrued interest payable - mortgages and notes	12,265,502	13,816,492	-	26,081,994	18,601,713
Deferred revenue	5,344,372	-	(1,310,000)	4,034,372	2,940,370
Project grant advances	11,730,707	-	-	11,730,707	22,434,960
Development fees payable	-	30,849,427	(14,439,855)	16,409,572	7,299,734
Affiliate notes and interest payable	-	37,744,654	(37,744,654)	-	-
Mortgages and notes payable, net	<u>229,056,692</u>	<u>367,418,479</u>	<u>-</u>	<u>596,475,171</u>	<u>507,879,712</u>
Total noncurrent liabilities	<u>259,905,837</u>	<u>451,217,985</u>	<u>(54,174,509)</u>	<u>656,949,313</u>	<u>561,297,861</u>
Total liabilities	<u>281,527,232</u>	<u>478,113,577</u>	<u>(69,172,146)</u>	<u>690,468,663</u>	<u>636,517,923</u>
Commitments and contingencies					
NET ASSETS					
Without donor restrictions					
Controlling interest	107,790,217	2,973,638	(15,802,918)	94,960,937	96,883,821
Noncontrolling interest	-	90,960,603	-	90,960,603	73,617,375
With donor restrictions	<u>12,819,496</u>	<u>-</u>	<u>-</u>	<u>12,819,496</u>	<u>10,948,092</u>
Total net assets	<u>120,609,713</u>	<u>93,934,241</u>	<u>(15,802,918)</u>	<u>198,741,036</u>	<u>181,449,288</u>
Total liabilities and net assets	<u>\$ 402,136,945</u>	<u>\$ 572,047,818</u>	<u>\$ (84,975,064)</u>	<u>\$ 889,209,699</u>	<u>\$ 817,967,211</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, 2019 and 2018, with consolidating information for the year ended December 31, 2019

	2019			2018	
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated Total	Consolidated Total
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Revenues and support without donor restrictions:					
Contributions	\$ 3,103,061	\$ -	\$ -	\$ 3,103,061	\$ 3,548,036
Government grants and contracts	37,091,437	-	-	37,091,437	34,494,084
Management and partnership fees	2,006,023	-	(1,652,367)	353,656	366,338
Development fees	10,302,210	-	(2,763,205)	7,539,005	7,286,884
Rental income	13,922,284	21,817,695	(1,542,116)	34,197,863	30,857,424
Other income	4,215,631	2,826,614	(807,508)	6,234,737	5,233,645
Net assets released from restrictions	<u>1,692,235</u>	<u>-</u>	<u>-</u>	<u>1,692,235</u>	<u>12,112,364</u>
Total revenues and support	<u>72,332,881</u>	<u>24,644,309</u>	<u>(6,765,196)</u>	<u>90,211,994</u>	<u>93,898,775</u>
Expenses:					
Social services	39,147,350	-	(256,637)	38,890,713	36,382,146
Housing management and development	3,168,917	-	-	3,168,917	3,513,448
Permanent housing operations	10,335,538	20,792,288	(2,909,503)	28,218,323	25,043,391
General and administrative	9,233,027	-	(179,402)	9,053,625	9,564,333
Fundraising	973,162	-	-	973,162	915,052
Depreciation and amortization	3,784,928	13,951,670	(354,685)	17,381,913	15,195,650
Interest and service fees	<u>5,441,758</u>	<u>6,632,411</u>	<u>(710,546)</u>	<u>11,363,623</u>	<u>7,826,992</u>
Total expenses	<u>72,084,680</u>	<u>41,376,369</u>	<u>(4,410,773)</u>	<u>109,050,276</u>	<u>98,441,012</u>
Change in net assets before other non-recurring items	248,201	(16,732,060)	(2,354,423)	(18,838,282)	(4,542,237)
Other non-recurring items:					
Gain on forgiveness of loan	185,000	-	-	185,000	-
Inclusionary air rights, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,691,025</u>
Increase (decrease) in net assets without donor restrictions	<u>433,201</u>	<u>(16,732,060)</u>	<u>(2,354,423)</u>	<u>(18,653,282)</u>	<u>16,148,788</u>
NET ASSETS WITH DONOR RESTRICTIONS					
Revenues and support with donor restrictions:					
Contributions	3,563,639	-	-	3,563,639	12,379,825
Net assets released from restrictions	<u>(1,692,235)</u>	<u>-</u>	<u>-</u>	<u>(1,692,235)</u>	<u>(12,112,364)</u>
Increase in net assets with donor restrictions	<u>1,871,404</u>	<u>-</u>	<u>-</u>	<u>1,871,404</u>	<u>267,461</u>
Change in net assets	2,304,605	(16,732,060)	(2,354,423)	(16,781,878)	16,416,249
Excess of expenses over revenues and support attributable to noncontrolling interests	<u>-</u>	<u>16,730,398</u>	<u>-</u>	<u>16,730,398</u>	<u>16,473,467</u>
Excess (deficiency) of revenues and support over expenses attributable to Breaking Ground	<u>\$ 2,304,605</u>	<u>\$ (1,662)</u>	<u>\$ (2,354,423)</u>	<u>\$ (51,480)</u>	<u>\$ 32,889,716</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, 2019 and 2018

	<u>Net Assets Without Donor Restrictions</u>			<u>Net Assets With Donor Restrictions</u>	<u>Consolidated Total</u>
	<u>Controlling</u>	<u>Noncontrolling</u>	<u>Total</u>		
Beginning balance, January 1, 2018	\$ 64,261,566	\$ 61,268,350	\$ 125,529,916	\$ 10,680,631	\$ 136,210,547
Contributions from investors	-	28,822,492	28,822,492	-	28,822,492
Excess of expenses over revenue and support attributable to noncontrolling interests	-	(16,473,467)	(16,473,467)	-	(16,473,467)
(Deficiency) excess of revenues and support over expenses attributable to Breaking Ground	<u>32,622,255</u>	<u>-</u>	<u>32,622,255</u>	<u>267,461</u>	<u>32,889,716</u>
Ending balance, December 31, 2018	96,883,821	73,617,375	170,501,196	10,948,092	181,449,288
Contributions from investors	-	34,073,626	34,073,626	-	34,073,626
Excess of expenses over revenue and support attributable to noncontrolling interests	-	(16,730,398)	(16,730,398)	-	(16,730,398)
(Deficiency) excess of revenues and support over expenses attributable to Breaking Ground	<u>(1,922,884)</u>	<u>-</u>	<u>(1,922,884)</u>	<u>1,871,404</u>	<u>(51,480)</u>
Ending balance, December 31, 2019	<u>\$ 94,960,937</u>	<u>\$ 90,960,603</u>	<u>\$ 185,921,540</u>	<u>\$ 12,819,496</u>	<u>\$ 198,741,036</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (16,781,878)	\$ 16,416,249
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	17,381,913	15,195,650
Amortization of debt issuance costs	228,773	187,164
(Increase) decrease in operating assets:		
Accounts receivable, net	(1,914,077)	(426,634)
Other assets, net	(797,460)	385,468
Development fees receivable	(4,282,240)	(2,576,635)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,541,603	1,240,380
Security deposits	(52,877)	124,221
Other liabilities	129,002	62,311
Accrued interest payable - mortgages and notes	7,468,622	3,544,258
Deferred revenue	2,851,576	(9,102,103)
Project grant advances	(10,704,253)	(2,031,151)
Development fees payable	<u>4,073,543</u>	<u>3,933,733</u>
Net cash (used in) provided by operating activities	<u>(857,753)</u>	<u>26,952,911</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in contractual reserves	(915,850)	(6,200,340)
Payments on construction payable	(54,259,632)	(37,005,746)
Capital expenditures	<u>(24,080,117)</u>	<u>(194,812,166)</u>
Net cash used in investing activities	<u>(79,255,599)</u>	<u>(238,018,252)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions received from investors	34,073,626	28,822,492
Proceeds from loans	68,342,494	219,566,699
Repayments of loans	<u>(20,260,783)</u>	<u>(47,707,548)</u>
Net cash provided by financing activities	<u>82,155,337</u>	<u>200,681,643</u>
Net increase (decrease) in cash	2,041,985	(10,383,698)
Cash and restricted cash, beginning of year	<u>15,577,965</u>	<u>25,961,663</u>
Cash and restricted cash, end of year	<u>\$ 17,619,950</u>	<u>\$ 15,577,965</u>
Supplemental disclosure of information:		
Cash paid for interest	\$ 712,626	\$ 1,243,923
Supplemental schedule of non-cash investing and financing activities:		
Construction payable capitalized to rental property	\$ 54,592,672	\$ 32,369,482

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, 2019 and 2018

NOTE 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, 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 threefold:

Street Outreach

Breaking Ground is a leading provider of outreach to street homeless New Yorkers, covering all of Brooklyn and Queens, along with 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.

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, and 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 Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

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, Edwin’s Place 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, La Central Supportive Housing Development Fund Corporation, Edwin’s Place Housing Development Fund Corporation, BG Betances Housing Development Fund Corporation, and 90 Sands 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 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. BGM is the controlling member of Breaking Ground V LLC (“BG V”), organized on September 29, 2017 under the New York Limited Liability Company Law for the purpose of providing all services at the Prince George Ballroom.

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.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

Limited Partnership/ Limited Liability Corporation	General Partner/Managing Member
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
Edwin's Place L.P.	Edwin's Place Housing LLC
BG Betances L.P.	BG Betances Housing LLC
	BG Sutphin LLC

NOTE 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 and 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 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:

Net assets without donor restrictions - controlling interest - 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.

Net assets without donor restrictions - noncontrolling interest - 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.

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of Breaking Ground and/or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions, 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.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

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

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"). The amendments within ASU 2016-18 require that a statement of cash flows explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amount shown on the consolidated statements of cash flows (See Note 5). ASU 2016-18 was adopted during the year ended December 31, 2019, and Breaking Ground has applied the amendments using a retrospective transition method to each period presented.

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

Breaking Ground adopted Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), on January 1, 2019. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Breaking Ground recognizes revenue when a control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration Breaking Ground expects to be entitled to in exchange for those goods or services. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Breaking Ground has identified management and partnership fees, development fees and rental income as revenue categories subject to the adoption of ASC 606.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

The results of applying ASC 606 using the modified retrospective approach did not have a material impact on the consolidated financial position, changes in net assets, cash flows, business processes, controls or systems of Breaking Ground.

Management and partnership fees satisfy Breaking Ground's obligation by recognizing revenue evenly over the management and partnership fee term as its partners simultaneously receive and consume the benefits over that timeframe.

Development fees satisfy Breaking Ground's obligation by being recognized as revenue over time in the years earned based on milestones established in the partnership operating agreements. 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 and other income, including rent and fees from the operation of low-income housing projects and tenants, satisfy Breaking Ground's obligation by recognizing revenue evenly over the lease terms as tenants simultaneously receive and consume the benefits over that timeframe. 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.

In 2019, Breaking Ground adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchanges (reciprocal) transactions and determine whether a contribution is conditional. As required by ASU 2018-08, Breaking Ground applied the requirements to agreements that either were not completed as of December 31, 2019 or entered into after January 1, 2019.

In 2018, grant revenue was recognized to the extent allowable expenses were incurred and contributions, including unconditional promises to give, were recognized in the period received or pledged.

Beginning in 2019 with the adoption of ASU 2018-08, Breaking Ground recognizes government and private contracts and grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or nonreciprocal. For contributions, revenue is recognized when a contribution becomes unconditional. Typically, contract and grant agreements contain a right of return or right of release from the respective obligation provision on the part of the grantor and Breaking Ground has limited discretion over how funds transferred should be spent. As such, Breaking Ground recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome.

Breaking Ground reports contributions within net assets with donor restrictions if such gifts are restricted by the donor to a specific program and/or include an explicit or implied time restriction. Expirations of 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. Gifts whose donor-stipulated purposes are met in the same year as received are reported within net assets without donor restrictions.

As of December 31, 2019, grants and contributions receivable of approximately \$12.5 million were due to be collected within one year, and approximately \$975,000 was due to be collected in 2021. As of December 31, 2018, all grants and contributions receivable were due to be collected within one year.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

Due to the adoption of ASU 2018-08, as of December 31, 2019, Breaking Ground's outstanding conditional contributions totaled approximately \$80 million, which will be recognized as revenue as conditions are met. As of December 31, 2018, Breaking Ground did not have any conditional contributions. Funds received in advance of conditions being met are reported as deferred revenue within the accompanying statements of financial position.

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.

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, 2019 and 2018 totaled \$13,589,780 and \$9,307,540, 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, 2019 and 2018 totaled \$987,672 and \$735,871, respectively.

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; and
- 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

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

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:

<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, 2019 and 2018, 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.

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 Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

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.

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 information in the fiscal 2018 consolidated financial statements has been reclassified to conform to the fiscal 2019 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2018 consolidated financial statements.

NOTE 3 - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, as of December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Note receivable	\$ 13,179,600	\$ 13,179,600
Government grants and contracts	10,632,591	8,651,337
Housing Entity receivables	2,099,097	1,547,862
Contribution receivables	2,806,921	2,498,458
Tenant accounts receivables	863,401	1,133,901
Other	651,812	1,056,385
	<hr/>	<hr/>
Accounts receivable, gross	30,233,422	28,067,543
Less: Allowance for doubtful accounts	(987,672)	(735,871)
	<hr/>	<hr/>
Accounts receivable, net	<u>\$ 29,245,749</u>	<u>\$ 27,331,672</u>

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 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, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 19,906,740	\$ 18,844,606
Certificate of deposit	1,800,000	1,800,000
Treasury bills	<u>9,794,608</u>	<u>9,665,617</u>
 Total	 <u>\$ 31,501,348</u>	 <u>\$ 30,310,223</u>

Breaking Ground's lender restricted cash and contractual reserves classified within the fair value hierarchy as of December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	
		<u>Total</u>
Cash and cash equivalents		\$ 19,906,740
	<u>Level 2</u>	
Certificate of deposit	\$ 1,800,000	1,800,000
Treasury bills	<u>9,794,608</u>	<u>9,794,608</u>
 Total	 <u>\$ 11,594,608</u>	 <u>\$ 31,501,348</u>
	<u>2018</u>	
		<u>Total</u>
Cash and cash equivalents		\$ 18,844,606
	<u>Level 2</u>	
Certificate of deposit	\$ 1,800,000	1,800,000
Treasury bills	<u>9,665,617</u>	<u>9,665,617</u>
 Total	 <u>\$ 11,465,617</u>	 <u>\$ 30,310,223</u>

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

Interest income for the years ended December 31, 2019 and 2018 totaled \$261,970 and \$145,240, respectively, and is recorded as other income within the consolidated statements of activities. Contractual reserve fees for the years ended December 31, 2019 and 2018 totaled \$71,558 and \$69,252, respectively, and are recorded as interest and service fees within the consolidated statements of activities.

NOTE 5 - STATEMENTS OF CASH FLOWS

The following table provides a reconciliation of cash and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts in the consolidated statements of cash flows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 13,750,320	\$ 11,982,121
Lender restricted cash	2,564,463	2,289,188
Tenant security deposits	<u>1,305,167</u>	<u>1,306,656</u>
 Total cash and restricted cash shown in the consolidated statements of cash flows	 <u>\$ 17,619,950</u>	 <u>\$ 15,577,965</u>

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the property as required by the regulatory authority.

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, as of December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 791,013,495	\$ 729,809,142
Leasehold improvements	4,742,807	4,099,941
Furniture and equipment	20,745,235	20,035,881
Land improvements	<u>10,384,056</u>	<u>10,384,056</u>
 Total depreciable assets	 <u>826,885,593</u>	 <u>764,329,020</u>
 Less: Accumulated depreciation	 (158,960,502)	 (141,621,446)
 Total depreciable assets net of depreciation	 <u>826,885,593</u>	 <u>764,329,020</u>
 Land	44,907,961	44,464,281
Construction-in-progress	<u>83,861,154</u>	<u>68,183,086</u>
 Total property and equipment, net	 <u>\$ 796,694,206</u>	 <u>\$ 735,354,941</u>

Depreciation and amortization expense totaled \$17,381,913 and \$15,195,650 for the years ended December 31, 2019 and 2018, respectively. Ongoing construction-in-progress projects relating to La Central Supportive L.P., Edwin's Place L.P., and 90 Sands Housing Development Fund Corporation are expected to be completed in 2020, 2021 and 2022, respectively.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE 7 - 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>2019</u>	<u>2018</u>	<u>Maturity Date</u>
Federal Home Loan Bank for:			
BG - St. Marks Brownsville L.P.	\$ 1,080,000	\$ 1,080,000	11/26/2023
BG - Schermerhorn L.P.	675,000	675,000	12/29/2035
BG - Brook Avenue Housing L.P.	1,500,000	1,500,000	9/16/2025
BG - Hegeman Avenue Housing L.P.	1,650,000	1,650,000	6/9/2025
BG - Chelsea Residence Limited Partnership	1,000,000	1,000,000	1/16/2033
BG II - 1630 Dewey Avenue LLC	299,990	299,990	9/30/2025
BG II - Pitt Street L.P.	1,000,000	1,000,000	12/28/2021
BG II - Webster Avenue Affordable LLC	1,900,000	1,900,000	11/19/2048
BG IV – Andrews	500,000	500,000	4/17/2024
New York State Office of Mental Health:			
BG - Webster Avenue Residence LLC	-	10,527,782	4/30/2020
BG - Neighborhood Stabilization Program	1,428,235	1,604,706	6/9/2027
BG II - HOME Investment Partnership Program	573,953	573,953	8/31/2040
BG II - HUD Continuum of Care	300,000	300,000	9/30/2040
	<u>\$ 11,907,178</u>	<u>\$ 22,611,431</u>	

Breaking Ground Housing Development Fund Corporation and Affiliates

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NOTE 8 - MORTGAGES AND NOTES PAYABLE, NET

The various debt obligations outstanding as presented in the accompanying consolidated statements of financial position as of December 31, 2019 and 2018 consisted of the following:

Entity	Lender	2019	2018	Final Maturity Date	Interest Rate
BG	Mizuho Bank (USA)	\$ -	\$ 2,100,000	10/16/2019	LIBOR plus 1.5%
BG	van Ameringen Foundation	1,500,000	750,000	7/1/2024	3%
BG	U.S. Department of Housing and Urban Development	13,179,600	13,179,600	12/1/2054	0%
BG	Wells Fargo Community Investment Holdings	600,000	600,000	12/26/2020	2%
BG	Wells Fargo Community Investment Holdings	600,000	600,000	5/30/2023	2%
BG	Deutsche Bank Foundation PRI Grant	40,000	-	11/30/2022	0%
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	426,782	526,647	8/15/2023	6.49%
BG IV	NYC Department of Housing Preservation and Development	2,362,940	2,362,940	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	1,331,809	1/5/2040	1%
BG IV	NYS Housing Finance Agency	581,000	581,000	1/5/2040	Non-interest bearing
BG II	Supportive Housing Solutions Fund LLC	-	300,323	1/1/2020	6%
Prince George Associates, L.P.	NYC Department of Housing Preservation and Development	12,569,932	12,566,230	11/1/2028	1%
Prince George Associates, L.P.	NYS Homeless Housing Assistance Corporation	4,000,000	4,000,000	11/1/2029	1%
90 Sands H.D.F.C.	NYC Department of Housing Preservation and Development	157,000,000	157,000,000	8/23/2021	2.91%
90 Sands H.D.F.C.	Leviticus Loan	1,022,765	-	11/19/2021	6%
Chelsea Residence Limited Partnership	NYC Department of Housing Preservation and Development	16,504,275	16,498,597	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	19,510,080	19,499,903	4/29/2038	1%
Pitt Street L.P.	NYC Department of Housing Preservation and Development	24,336,332	24,320,962	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	17,505,114	17,500,559	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	694,670	692,899	11/26/2050	Non-interest bearing
410 Asylum Street, LLC	State of Connecticut	2,000,000	2,000,000	3/27/2038	1%
410 Asylum Street, LLC	City of Hartford	274,773	285,477	9/1/2042	1%
410 Asylum Street, LLC	Connecticut Housing Finance Authority	3,557,033	3,625,328	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	17,545,684	17,532,169	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	5,608,240	5,605,967	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

Breaking Ground Housing Development Fund Corporation and Affiliates

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<u>Entity</u>	<u>Lender</u>	<u>2019</u>	<u>2018</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>
1630 Dewey Avenue LLC	NYS Homeless Housing Assistance Corporation	3,000,000	3,000,000	1/14/2043	1%
1630 Dewey Avenue LLC	Housing Trust Fund Corporation	1,653,330	1,652,232	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	2,000,000	4/24/2047	Non-interest bearing
Boston Road Housing L.P.	NYS Homeless Housing Assistance Corporation	3,720,000	3,720,000	12/3/2042	1%
Boston Road Housing L.P.	NYS Housing Finance Agency	4,801,825	4,882,305	7/1/2046	2%
Boston Road Housing L.P.	NYS Housing Finance Agency	6,930,000	6,930,000	7/1/2046	6%
Boston Road Housing L.P.	NYC Department of Housing Preservation and Development	3,680,436	3,680,436	1/13/2046	1%
Webster Avenue Affordable LLC	NYC Department of Housing Preservation and Development	17,360,000	17,360,000	7/31/2048	1%
Webster Avenue Affordable LLC	NYC Department of Housing Preservation and Development - Reso A	298,382	298,382	7/31/2048	1%
Webster Avenue Affordable LLC	NYS Homeless Housing Assistance Corporation	2,000,000	2,000,000	7/31/2048	Non-interest bearing
Webster Avenue Affordable LLC	NYC Housing Development Corporation	11,198,025	11,410,000	7/31/2048	5.70%
Webster Avenue Affordable LLC	NYC Housing Development Corporation	14,044,893	13,970,038	7/31/2048	1%
Webster Avenue Supportive LLC	NYC Department of Housing Preservation and Development	11,970,000	11,437,422	30 years after conversion	0.25%
Webster Avenue Supportive LLC	NYS Homeless Housing Assistance Corporation	2,500,000	2,470,000	30 years after occupancy	Non-interest bearing
Webster Avenue Supportive LLC	NYS Housing Finance Agency	14,944,814	28,889,655	7/1/2048	4.75%
Webster Avenue Supportive LLC	NYS Housing Finance Agency	6,138,000	2,593,552	8/31/2048	1%
La Central Supportive L.P.	NYC Department of Housing Preservation and Development	12,075,000	12,075,000	55 years after conversion	0.25% or non-interest bearing
La Central Supportive L.P.	NYS Homeless Housing Assistance Corporation	5,366,217	1,643,579	30 years after conversion	Non-interest bearing
La Central Supportive L.P.	NYS Housing Finance Agency	32,138,546	24,143,855	LT-2/1/2050	LT-2.3%
La Central Supportive L.P.	NYS Housing Finance Agency	5,131,209	2,952,696	6% during construction then 1%	
La Central Supportive L.P.	NYS Homeless Housing Assistance Corporation	250,000	216,428	2/1/2050	0.25% or non-interest bearing
Edwin's Place L.P.	NYS Housing Finance Agency	33,384,074	8,866,498	55 years after conversion	ST-2.65% / LT-4.85%
Edwin's Place L.P.	NYS Housing Finance Agency	754,036	751,903	ST-10/1/2021 / LT-2/1/2051	4.85%
Edwin's Place L.P.	NYC Department of Housing Preservation and Development	7,619,635	-	2/1/2051	0.50%
Edwin's Place L.P.	NYC Department of Housing Preservation and Development	7,619,635	-	ST-5/1/2021 / LT-55 yrs. after conversion	ST-2.65% / LT-4.85%
Edwin's Place L.P.	NYS Homeless Housing Assistance Corporation	903,347	-	30 yrs. of the date of the written approval	Non-interest bearing
Betances L.P.	NYC Department of Housing Preservation and Development	4,978,509	-	ST-34 months after closing / LT-40 yrs. from the conversion	ST-2.72% / LT-AFR
Betances L.P.	NYC Housing Development Corporation	7,123,568	-	ST-4/27/2022 / LT-10/31/2062	ST-2.9% / LT-5.575%
Total mortgages and notes payable		<u>\$ 597,860,689</u>	<u>\$ 549,550,205</u>		

Included within mortgages and notes payable are debt issuance costs of \$6,025,203 and \$5,374,350, respectively, at December 31, 2019 and 2018.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

The scheduled future principal payments follow:

<u>Year ending December 31,</u>	<u>Amount</u>
2020	\$ 1,385,518
2021	158,971,263
2022	1,101,790
2023	833,095
2024	2,206,716
Thereafter	<u>433,362,307</u>
	<u>\$ 597,860,689</u>

All loans made to Breaking Ground for the purpose of acquiring real estate, are secured by the respective properties that they finance. 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, 2019 and 2018 Breaking Ground was in compliance with all financial and operating covenants.

Interest and service fees totaling \$11,363,623 and \$7,826,992 were expensed for the years ended December 31, 2019 and 2018, respectively.

NOTE 9 - GOVERNMENT GRANTS AND CONTRACTS

Government grants and contracts revenue recognized when the related barrier to entitlement has been overcome for the years ended December 31, 2019 and 2018 was derived from the following federal, New York City and state government agencies:

	<u>2019</u>	<u>2018</u>
NYC Department of Homeless Services	\$ 28,615,828	\$ 25,967,667
NYC Department of Health and Mental Hygiene	3,652,382	3,862,143
NYC HIV/AIDS Service Administration	3,037,233	2,435,652
NYS Office of Mental Health	1,324,667	1,190,857
U.S. Department of Housing and Urban Development	-	539,285
Empire State Supportive Housing Initiative	203,721	-
Dormitory Authority of the State of New York	185,606	426,480
NYS Office of Temporary and Disability Assistance	72,000	72,000
	<u>\$ 37,091,437</u>	<u>\$ 34,494,084</u>

NOTE 10 - SALE OF TRANSFERRABLE DEVELOPMENT RIGHTS

On June 30, 2016, BG II, Prince George Associates L.P., and the City of New York, acting through its Department of Housing Preservation and Development (“HPD”), entered into an Inclusionary Housing Regulatory Agreement (“Regulatory Agreement”). The Regulatory Agreement required the preservation, through rehabilitation, of 415 affordable housing units and the operation of those units as affordable housing, in perpetuity, with rents not to exceed limits established by HPD.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

Additionally, the Regulatory Agreement gave BG II the right to sell Transferable Development Rights (“TDRs”), as defined in the Regulatory Agreement, to third-party developers. Each sale of TDRs was formalized by contractual agreements between BG II and third-party developers with contracts that specifically mentioned the number of TDRs being purchased, the purchase price, and the requirements for transfer. There were no other contingencies related to the sale of TDRs to third party developers. Proceeds from TDR sales were required to be used to repay the construction loan related to rehabilitation work, create operating reserves, and pay BG II transaction fees. The rehabilitation work was completed on March 1, 2018 and the construction loan was repaid on April 17, 2018, which satisfied the requirements of the Regulatory Agreement and TDR contracts. As a result, the Organization recognized revenue from sales of TDRs at December 31, 2018 of \$20,691,025.

NOTE 11 - 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 \$502,481 and \$458,984 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, the liability relating to this plan totaled \$307,223 and \$217,139, respectively. The related assets are invested in equities and mutual funds that are classified as Level 1 in the fair value hierarchy.

NOTE 12 - 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 2034. 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 \$4,965,154 and \$4,548,540 for the years ended December 31, 2019 and 2018, respectively. Estimated future minimum lease payments due under the terms of the leases follow:

<u>Year ending December 31,</u>	<u>Amount</u>
2020	\$ 4,528,017
2021	2,756,898
2022	1,329,152
2023	530,824
2024	262,380
Thereafter	1,140,958
	<u>\$ 10,548,229</u>

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

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 \$1,762,686 and \$1,496,800 for the years ended December 31, 2019 and 2018, respectively. Estimated future minimum receipts due under the terms of the leases follow:

<u>Year ending December 31,</u>	<u>Amount</u>
2020	\$ 1,585,709
2021	1,166,749
2022	919,602
2023	902,524
2024	879,072
Thereafter	<u>7,188,038</u>
	<u>\$ 12,641,694</u>

Guarantees

Breaking Ground, through its affiliates, is the GP/MM and sponsor of the Housing Entities and has guaranteed the obligations of its general partnership entities to the respective limited partners/members, and where applicable, government agencies, 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 detailed in each partnership/operating agreement. As of December 31, 2019 and 2018, there were no outstanding unfunded guarantees.

Management Fee Guarantees

The property management fee is based on certain percentages of the monthly rents collected by the project, as defined per management agreement. 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, Breaking Ground 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 ended December 31, 2019 and 2018 because it was 96% and 96%, respectively, 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, 2019 and 2018, Breaking Ground

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

contributed \$114,374 and \$109,390, 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 outcomes 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 establishes a general provision for government contracts based on past experiences and current year contract assessments. In the opinion of management, exposure, if any, will not materially affect the consolidated financial statements of Breaking Ground.

NOTE 13 - LIQUIDITY AND AVAILABLE RESOURCES

Breaking Ground regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to cash and trade receivables, Breaking Ground also has lines of credit and equity equivalent investments at its disposal to meet general expenditures.

In determining assets available to meet general expenditures over the next 12 months, Breaking Ground only considered the current portion of total assets and excluded assets encumbered by lenders or restricted by donors.

Financial assets available for general expenditures within one year of December 31, 2019 follow:

Financial assets:	
Cash	\$ 13,750,320
Accounts receivable	15,091,149
Development fees receivable	<u>1,782,171</u>
Total available resources	<u>30,623,640</u>
Less:	
Net assets with donor restrictions:	
Development purpose	(1,940,000)
Program purpose	<u>(631,343)</u>
Total financial assets available to management and general expenditure	<u>\$ 28,052,297</u>

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 14 - NATURAL CLASSIFICATION OF FUNCTIONAL EXPENSES

Breaking Ground summarizes the costs of providing and managing its various programs and supporting activities. Accordingly, certain operating costs are allocated amongst the benefiting program and supporting services, based on specific identification or applicable allocation methodologies such as square footage and time and effort.

Expenses by natural classification for the year ended December 31, 2019 consisted of the following:

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total Not-for-Profit Entities</u>	<u>Housing Entities</u>	<u>Eliminations</u>	<u>Total Expenses</u>	
	<u>Social Services</u>	<u>Housing Management and Development</u>	<u>Permanent Housing Operations</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>			<u>Permanent Housing Operations</u>		<u>2019</u>	<u>2018</u>
Salaries	\$ 16,023,882	\$ 1,814,067	\$ 3,704,737	\$ 21,542,666	\$ 4,450,823	\$ 389,500	\$ 4,840,323	\$ 26,383,009	\$ 3,120,631	\$ -	\$ 29,503,640	\$ 27,958,197
Fringe benefits	4,386,872	858,135	1,069,551	6,314,568	1,104,264	96,730	1,200,994	7,515,552	1,028,265	-	8,543,817	8,744,178
Total personnel	20,410,764	2,672,202	4,774,288	27,857,244	5,555,087	486,230	6,041,317	33,898,561	4,148,896	-	38,047,457	36,702,375
Professional and management fees	4,777,244	75,403	275,065	5,127,712	515,151	-	515,151	5,642,863	2,773,319	(1,845,321)	6,570,861	6,104,324
Rent expense	4,169,351	133,142	147,484	4,449,977	876,548	-	876,548	5,326,525	263,458	(192,752)	5,397,231	5,025,251
Utilities	1,099,549	8,269	1,495,546	2,603,364	61,603	-	61,603	2,664,967	2,893,263	(251,767)	5,306,463	4,646,966
Security	3,088,654	-	560,599	3,649,253	69,305	-	69,305	3,718,558	3,170,106	(1,089,090)	5,799,574	4,837,514
Repairs and maintenance	1,150,903	24,782	1,664,043	2,839,728	150,419	-	150,419	2,990,147	3,004,550	(215,109)	5,779,588	4,450,942
Events and other fundraising	-	-	-	-	11,468	446,932	458,400	458,400	-	-	458,400	427,795
Insurance	737,868	28,270	445,723	1,211,861	78,263	-	78,263	1,290,124	1,160,838	(173,639)	2,277,323	2,034,913
Program supplies and expense	2,891,721	10,010	235,155	3,136,886	230,168	-	230,168	3,367,054	-	(454,965)	3,822,019	3,873,135
Office expense	453,429	86,902	321,277	861,608	516,666	-	516,666	1,378,274	682,541	(32,829)	2,027,986	2,204,086
Conferences and events	130,361	62,171	19,976	212,508	396,264	-	396,264	608,772	51,677	-	660,449	495,352
Fees and other expense	176,429	67,766	236,003	480,198	457,475	40,000	497,475	977,673	2,069,731	-	3,047,404	3,476,428
Bad debt	61,087	-	160,379	221,466	314,610	-	314,610	536,076	573,909	-	1,109,985	1,139,289
Total expenses before depreciation and amortization	39,147,350	3,168,917	10,335,538	52,651,805	9,233,027	973,162	10,206,189	62,857,994	20,792,288	(3,345,542)	80,304,740	75,418,370
Interest and service fees	-	-	5,226,827	5,226,827	214,931	-	214,931	5,441,758	6,632,411	(710,546)	11,363,623	7,826,992
Depreciation and amortization	-	-	3,155,013	3,155,013	629,915	-	629,915	3,784,928	13,951,670	(354,685)	17,381,913	15,195,650
Total expenses	\$ 39,147,350	\$ 3,168,917	\$ 18,717,378	\$ 61,033,645	\$ 10,077,873	\$ 973,162	\$ 11,051,035	\$ 72,084,680	\$ 41,376,369	\$ (4,410,773)	\$ 109,050,276	\$ 98,441,012

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Housing Operations and Tenant Services	\$ 1,036,467	\$ 1,016,112
Street to Home Outreach	358,000	20,000
Mott Haven Housing Development	2,255,000	813,527
HUD Capital Advance	8,140,029	8,120,984
Development Reserve	750,000	750,000
Time-restricted	25,000	160,000
90 Sands and Sutphin Housing Development	255,000	67,469
	<u>\$ 12,819,496</u>	<u>\$ 10,948,092</u>

NOTE 16 - NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2019 and 2018 net assets with donor restrictions that were released from restrictions in satisfaction of donor time or purpose restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Housing Operations and Tenant Services	\$ 1,136,298	\$ 1,121,069
Street to Home Outreach	26,940	110,608
Webster Affordable Housing Development	-	265,711
Mott Haven Housing Development	58,527	153,704
HUD Capital Advance	268,001	258,741
Time-restricted	135,000	135,000
90 Sands and Sutphin Housing Development	67,469	67,531
90 Sands Building Acquisition	-	10,000,000
	<u>\$ 1,692,235</u>	<u>\$ 12,112,364</u>

NOTE 17 - 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.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

The accompanying consolidated statements of financial position include the following balances between Breaking Ground and the related parties referred to above as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 1,546,367	\$ 1,541,389
Accounts payable and accrued expenses	684,045	752,801

The accompanying consolidated statements of activities include the following balances between Breaking Ground and the related parties referred to above for the years December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Government grants and contracts revenue	\$ 4,060,789	\$ 3,869,698
Other income	-	341,075
Social services expense	3,524,730	3,042,938

NOTE 18 - SUBSEQUENT EVENTS

Breaking Ground evaluated its December 31, 2019 consolidated financial statements for subsequent events through June 25, 2020, the date the consolidated financial statements were available to be issued.

In early 2020, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result, events have occurred, including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to Breaking Ground’s consolidated financial position, results of operations, and cash flows. Breaking Ground is not able to reliably estimate the length and severity of this outbreak and the related financial impact.

On May 6, 2020, Breaking Ground Management received loan proceeds in the amount of \$4,326,700 under the Paycheck Protection Program (“PPP”) through Sterling National Bank. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 24 weeks of allowable expenses of the qualifying business. The loan and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during 24-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Breaking Ground intends to use the proceeds for purposes consistent with the PPP. While Breaking Ground currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, Breaking Ground cannot be certain that it will not take actions that could cause Breaking Ground to be ineligible for forgiveness of the loan, in whole or in part.

SUPPLEMENTARY INFORMATION

Breaking Ground Housing Development Fund Corporation and Affiliates
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION INFORMATION - NOT-FOR-PROFIT ENTITIES
As of December 31, 2019

	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	\$ 3,766,552	\$ 2,727,714	\$ 1,970,642	\$ 124,461	\$ 5,941	\$ 201,471	\$ 465,385	\$ -	\$ 9,262,166
Lender restricted cash	2,488,074	-	-	-	890	-	-	-	2,488,964
Accounts receivable, net	3,735,149	7,904,114	854,327	41,080	1,575,297	1,265	163,552	(601,273)	13,673,511
Advances due from affiliates	116,115,440	15,823,904	40,964,139	9,836	949,768	8,956,724	675,680	(172,515,581)	10,979,910
Development fee receivable	-	-	1,782,171	-	-	-	-	-	1,782,171
Other assets, net	361,073	600,688	256,973	65	1,638	8,759	-	-	1,229,196
Total current assets	<u>126,466,288</u>	<u>27,056,420</u>	<u>45,828,252</u>	<u>175,442</u>	<u>2,533,534</u>	<u>9,168,219</u>	<u>1,304,617</u>	<u>(173,116,854)</u>	<u>39,415,918</u>
NONCURRENT ASSETS									
Lender restricted cash	-	-	-	-	-	-	-	-	-
Contractual reserves	8,036,887	-	9,119,846	-	962	570,208	-	-	17,727,903
Accounts receivable, net	14,154,600	526,392	-	-	-	-	570,000	(416,392)	14,834,600
Tenant security deposits	314,586	19,935	162,703	-	-	160,206	-	-	657,430
Development fees receivable	3,400,818	-	22,846,646	-	-	-	-	-	26,247,464
Affiliate notes and interest receivable	36,073,969	1,227,274	24,205,218	-	-	1,979,694	31,529	(25,773,030)	37,744,654
Investment in housing entities	(5,714)	-	(1,943,148)	(16,002)	-	-	7,840,367	-	5,875,503
Other assets, net	198,823	407,045	144,330	-	-	71,674	-	-	821,872
Property and equipment, net	34,639,341	968,815	211,251,059	-	11,793,477	158,909	-	-	258,811,601
Total noncurrent assets	<u>96,813,310</u>	<u>3,149,461</u>	<u>265,786,654</u>	<u>(16,002)</u>	<u>11,794,439</u>	<u>2,940,691</u>	<u>8,441,896</u>	<u>(26,189,422)</u>	<u>362,721,027</u>
Total assets	<u>\$ 223,279,598</u>	<u>\$ 30,205,881</u>	<u>\$ 311,614,906</u>	<u>\$ 159,440</u>	<u>\$ 14,327,973</u>	<u>\$ 12,108,910</u>	<u>\$ 9,746,513</u>	<u>\$ (199,306,276)</u>	<u>\$ 402,136,945</u>
LIABILITIES AND NET ASSETS (DEFICIT)									
CURRENT LIABILITIES									
Accounts payable and accrued expenses	\$ 1,676,517	\$ 5,754,906	\$ 837,481	\$ 3,346	\$ 93,609	\$ -	\$ 591,648	\$ (601,273)	\$ 8,356,234
Construction payable	-	-	108,373	-	-	-	-	-	108,373
Accrued interest payable - mortgages and notes	-	-	-	-	-	-	-	-	-
Advances due to affiliates	53,223,608	93,850,002	17,118,979	105,461	8,352,915	1,136,631	1,615,838	(172,515,581)	2,887,853
Deferred revenue	1,512,477	6,611,757	231,757	73,254	956,676	-	-	-	9,385,921
Project grant advances	176,471	-	-	-	-	-	-	-	176,471
Mortgages and notes payable	706,543	-	-	-	-	-	-	-	706,543
Total current liabilities	<u>57,295,616</u>	<u>106,216,665</u>	<u>18,296,590</u>	<u>182,061</u>	<u>9,403,200</u>	<u>1,136,631</u>	<u>2,207,486</u>	<u>(173,116,854)</u>	<u>21,621,395</u>
NONCURRENT LIABILITIES									
Security deposits	183,843	33,647	300,588	-	-	127,906	-	-	645,984
Other liabilities	-	307,223	971,749	-	-	-	-	(416,392)	862,580
Accrued interest payable - mortgages and notes	2,133,164	-	9,777,213	-	355,125	-	-	-	12,265,502
Deferred revenue	803,633	400,239	4,140,500	-	-	-	-	-	5,344,372
Project grant advances	7,156,764	-	4,073,943	-	500,000	-	-	-	11,730,707
Affiliate notes and interest payable	-	-	25,773,030	-	-	-	-	(25,773,030)	-
Mortgages and notes payable, net	44,489,946	-	174,592,697	-	9,974,049	-	-	-	229,056,692
Total noncurrent liabilities	<u>54,767,350</u>	<u>741,109</u>	<u>219,629,720</u>	<u>-</u>	<u>10,829,174</u>	<u>127,906</u>	<u>-</u>	<u>(26,189,422)</u>	<u>259,905,837</u>
Total liabilities	<u>112,062,966</u>	<u>106,957,774</u>	<u>237,926,310</u>	<u>182,061</u>	<u>20,232,374</u>	<u>1,264,537</u>	<u>2,207,486</u>	<u>(199,306,276)</u>	<u>281,527,232</u>
Net assets (deficit)									
Without donor restrictions	98,397,136	(76,751,893)	73,688,596	(22,621)	(5,904,401)	10,844,373	7,539,027	-	107,790,217
With donor restrictions	12,819,496	-	-	-	-	-	-	-	12,819,496
Total net assets (deficit)	<u>111,216,632</u>	<u>(76,751,893)</u>	<u>73,688,596</u>	<u>(22,621)</u>	<u>(5,904,401)</u>	<u>10,844,373</u>	<u>7,539,027</u>	<u>-</u>	<u>120,609,713</u>
Total liabilities and net assets	<u>\$ 223,279,598</u>	<u>\$ 30,205,881</u>	<u>\$ 311,614,906</u>	<u>\$ 159,440</u>	<u>\$ 14,327,973</u>	<u>\$ 12,108,910</u>	<u>\$ 9,746,513</u>	<u>\$ (199,306,276)</u>	<u>\$ 402,136,945</u>

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

Breaking Ground Housing Development Fund Corporation and Affiliates

CONSOLIDATING SCHEDULE OF ACTIVITIES INFORMATION - NOT-FOR-PROFIT ENTITIES

For the year ended December 31, 2019

	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	\$ 6,666,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,666,700
Government grants and contracts	4,686,207	25,953,557	1,716,156	284,647	4,450,870	-	-	-	37,091,437
Management and partnership fees	-	2,711,637	-	-	-	-	259,796	(965,410)	2,006,023
Development fees	-	-	10,302,210	-	-	-	-	-	10,302,210
Rental income	7,744,561	1,425,220	5,399,962	-	11,323	156,221	-	(815,003)	13,922,284
Other income (loss)	1,682,416	2,286,807	485,893	2,615	8,512	44,302	(1,680)	(293,234)	4,215,631
Total revenues and support	20,779,884	32,377,221	17,904,221	287,262	4,470,705	200,523	258,116	(2,073,647)	74,204,285
EXPENSES									
Program services:									
Social services	6,213,883	26,521,743	1,751,731	285,359	4,423,779	-	-	(49,145)	39,147,350
Housing management and development	-	3,168,917	-	-	-	-	-	-	3,168,917
Permanent housing operations	6,335,442	-	5,731,364	-	-	-	-	(1,731,268)	10,335,538
Total program services	12,549,325	29,690,660	7,483,095	285,359	4,423,779	-	-	(1,780,413)	52,651,805
Supporting services:									
General and administrative	241,000	8,879,643	106,850	-	-	-	5,534	-	9,233,027
Fundraising	973,162	-	-	-	-	-	-	-	973,162
Depreciation and amortization	1,695,021	146,423	1,465,746	-	408,626	69,112	-	-	3,784,928
Interest and service fees	476,276	104,247	5,113,334	-	35,672	5,463	-	(293,234)	5,441,758
Total supporting services	3,385,459	9,130,313	6,685,930	-	444,298	74,575	5,534	(293,234)	19,432,875
Total expenses	15,934,784	38,820,973	14,169,025	285,359	4,868,077	74,575	5,534	(2,073,647)	72,084,680
Change in net assets before other non-recurring items	4,845,100	(6,443,752)	3,735,196	1,903	(397,372)	125,948	252,582	-	2,119,605
Other non-recurring item:									
Gain on forgiveness of loan	185,000	-	-	-	-	-	-	-	185,000
Changes in net assets	5,030,100	(6,443,752)	3,735,196	1,903	(397,372)	125,948	252,582	-	2,304,605
Net assets (deficit), beginning of year	106,186,532	(70,308,141)	69,953,400	(24,524)	(5,507,029)	10,718,425	7,286,445	-	118,305,108
Net assets (deficit), end of year	\$ 111,216,632	\$ (76,751,893)	\$ 73,688,596	\$ (22,621)	\$ (5,904,401)	\$ 10,844,373	\$ 7,539,027	\$ -	\$ 120,609,713

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Breaking Ground Housing Development Fund Corporation and Affiliates
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION INFORMATION - HOUSING ENTITIES

As of December 31, 2019

	Chelsea Residence Limited Partnership	Schmerhorn 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	Edwins Place LP	BG Betances LP	Housing Entities Eliminations	Total Housing Entities
ASSETS																	
CURRENT ASSETS																	
Cash	\$ 299,094	\$ 84,085	\$ 274,399	\$ 441,115	\$ 101,416	\$ 514,536	\$ 920,358	\$ 72,218	\$ 101,782	\$ 558,701	\$ 748,433	\$ 352,611	\$ 19,406	\$ -	\$ -	\$ -	\$ 4,488,154
Lender restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	465	19,056	55,978	-	75,499
Contractual reserves	-	-	-	-	-	128,297	-	-	-	-	-	-	-	-	-	-	543,771
Accounts receivable, net	57,413	316,891	327,474	133,173	40,134	8,196	147,879	10,501	3,347	61,947	593,435	108,838	348,699	-	-	-	2,157,927
Advances due from affiliates	17,083	1,327,416	584,787	958,529	-	-	-	38	-	-	-	470,700	-	-	-	(470,700)	2,887,853
Other assets, net	41,276	13,282	41,486	14,589	23,227	8,309	11,675	-	15,315	19,491	283,572	76,303	16,437	-	-	-	564,962
Total current assets	414,866	1,741,674	1,228,146	1,547,406	164,777	659,338	1,079,912	82,757	120,444	640,139	1,625,440	1,423,926	385,007	19,056	55,978	(470,700)	10,718,166
NONCURRENT ASSETS																	
Lender restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contractual reserves	1,465,510	492,772	421,048	328,224	1,420,871	1,220,907	294,977	662,244	756,619	2,036,544	862,283	703,212	-	-	-	-	10,665,211
Tenant security deposits	44,661	86,621	71,953	49,024	13,355	55,793	33,722	34,047	32,538	28,728	153,074	44,221	-	-	-	-	647,737
Other assets, net	15,090	-	33,171	23,045	33,579	113,599	-	20,906	40,449	15,760	135,563	40,365	35,572	-	-	-	507,099
Property and equipment, net	18,786,562	42,580,786	45,275,691	28,895,158	19,540,734	16,063,015	33,082,223	10,481,395	11,895,127	44,452,672	79,556,723	58,450,671	61,791,593	56,916,209	21,741,046	-	549,509,605
Total noncurrent assets	20,311,823	43,160,179	45,801,863	29,295,451	21,008,539	17,453,314	33,410,922	11,198,592	12,724,733	46,533,704	80,707,643	59,238,469	61,827,165	56,916,209	21,741,046	-	561,329,652
Total assets	\$ 20,726,689	\$ 44,901,853	\$ 47,030,009	\$ 30,842,857	\$ 21,173,316	\$ 18,112,652	\$ 34,490,834	\$ 11,281,349	\$ 12,845,177	\$ 47,173,843	\$ 82,333,083	\$ 60,662,395	\$ 62,212,172	\$ 56,935,265	\$ 21,797,024	\$ (470,700)	\$ 572,047,818
LIABILITIES AND PARTNERS'/MEMBERS' EQUITY																	
CURRENT LIABILITIES																	
Accounts payable and accrued expenses	\$ 296,407	\$ 548,256	\$ 246,545	\$ 217,698	\$ 134,433	\$ 76,008	\$ 238,985	\$ 124,412	\$ 144,091	\$ 267,040	\$ 298,052	\$ 316,261	\$ 74,684	\$ -	\$ -	\$ -	\$ 2,982,872
Construction payable	4,914	-	-	-	-	-	-	-	-	25,000	161,278	-	882,879	6,266,130	1,675,189	-	9,015,390
Accrued interest payable - mortgages and notes	-	-	-	-	-	15,819	-	-	-	-	-	-	-	-	-	-	15,819
Advances due to affiliates	566,122	1,826,244	1,144	-	2,964,847	3,122,295	25,637	319,412	5,434	1,067,702	706,327	563,169	254,902	8,044	19,331	(470,700)	10,979,910
Deferred revenue	-	-	-	-	-	-	-	-	-	-	261,194	415,474	-	-	-	-	676,668
Development fee payable	-	-	-	-	-	-	-	-	-	-	-	-	2,545,958	-	-	-	2,545,958
Mortgages and notes payable	-	-	-	-	-	42,229	-	-	-	113,447	156,813	270,478	96,008	-	-	-	678,975
Total current liabilities	867,443	2,374,500	247,689	217,698	3,099,280	3,256,351	264,622	443,824	149,525	1,473,189	1,583,664	1,565,382	3,854,431	6,274,174	1,694,520	(470,700)	26,895,592
NONCURRENT LIABILITIES																	
Security deposits	44,036	87,256	71,953	49,296	13,355	54,160	33,347	33,352	32,538	27,371	154,766	43,041	-	-	-	-	644,471
Other liabilities	-	70,000	-	525,000	-	110,000	-	39,462	-	-	-	-	-	-	-	-	744,462
Construction payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest payable - mortgages and notes	1,103,985	2,662,054	2,799,566	2,016,806	186,338	301,013	1,706,277	-	272,759	1,860,218	88,292	350,115	469,069	-	-	-	13,816,492
Development fees payable	-	2,807,669	3,949,948	1,780,825	593,149	-	-	-	-	1,349,617	2,181,502	2,052,675	4,204,042	7,500,000	4,430,000	-	30,849,427
Affiliate notes and interest payable	1,000,000	708,840	2,843,806	1,537,500	15,681,642	699,754	4,920,664	1,118,488	1,456,704	2,098,641	3,795,280	102,600	301,548	-	-	-	37,744,654
Mortgages and notes payable, net	21,973,689	26,259,881	30,857,090	21,005,114	2,497,970	11,863,385	24,036,447	9,038,241	4,653,329	25,578,378	44,744,488	35,282,336	54,864,964	42,661,091	12,102,076	-	367,418,479
Total noncurrent liabilities	24,121,710	32,595,700	40,522,363	26,914,541	18,972,454	13,028,312	30,696,735	10,229,543	6,415,330	30,914,225	50,964,328	37,830,767	59,839,623	50,161,091	18,011,263	-	451,217,985
Total liabilities	24,989,153	34,970,200	40,770,052	27,132,239	22,071,734	16,284,663	30,961,357	10,673,367	6,564,855	32,387,414	52,547,992	39,396,149	63,694,054	56,435,265	19,705,783	(470,700)	478,113,577
Partners'/members' equity (deficit)																	
Controlling interest	(1,040)	(1,848)	(1,540)	(1,326)	(229)	1,274,184	(933)	(339)	1,708,578	(419)	(710)	(459)	(281)	-	-	-	2,973,638
Noncontrolling interest	(4,261,424)	9,933,501	6,261,497	3,711,944	(898,189)	553,805	3,530,410	608,321	4,571,744	14,786,848	29,785,801	21,266,705	(1,481,601)	500,000	2,091,241	-	90,960,603
Total partners'/members' equity (deficit)	(4,262,464)	9,931,653	6,259,957	3,710,618	(898,418)	1,827,989	3,529,477	607,982	6,280,322	14,786,429	29,785,091	21,266,246	(1,481,882)	500,000	2,091,241	-	93,934,241
Total liabilities and partners'/members' equity	\$ 20,726,689	\$ 44,901,853	\$ 47,030,009	\$ 30,842,857	\$ 21,173,316	\$ 18,112,652	\$ 34,490,834	\$ 11,281,349	\$ 12,845,177	\$ 47,173,843	\$ 82,333,083	\$ 60,662,395	\$ 62,212,172	\$ 56,935,265	\$ 21,797,024	\$ (470,700)	\$ 572,047,818

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Breaking Ground Housing Development Fund Corporation and Affiliates
CONSOLIDATING SCHEDULE OF ACTIVITIES INFORMATION - HOUSING ENTITIES
For the year ended December 31, 2019

	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
REVENUES AND SUPPORT															
Rental income	\$ 2,159,141	\$ 2,289,531	\$ 2,672,147	\$ 2,128,680	\$ 1,119,503	\$ 994,477	\$ 1,801,364	\$ 489,965	\$ 588,549	\$ 2,139,525	\$ 2,964,479	\$ 2,173,054	\$ 297,280	\$ -	\$ 21,817,695
Other income	151,851	167,484	90,036	99,610	217,562	84,680	78,300	14,072	25,423	58,934	547,850	1,290,812	-	-	2,826,614
Total revenues and support	<u>2,310,992</u>	<u>2,457,015</u>	<u>2,762,183</u>	<u>2,228,290</u>	<u>1,337,065</u>	<u>1,079,157</u>	<u>1,879,664</u>	<u>504,037</u>	<u>613,972</u>	<u>2,198,459</u>	<u>3,512,329</u>	<u>3,463,866</u>	<u>297,280</u>	<u>-</u>	<u>24,644,309</u>
EXPENSES															
Program services:															
Permanent housing operations	2,150,912	2,459,813	2,719,930	2,197,593	1,218,078	901,619	1,887,454	517,949	594,609	1,666,486	2,177,386	1,726,152	574,307	-	20,792,288
Total program services	<u>2,150,912</u>	<u>2,459,813</u>	<u>2,719,930</u>	<u>2,197,593</u>	<u>1,218,078</u>	<u>901,619</u>	<u>1,887,454</u>	<u>517,949</u>	<u>594,609</u>	<u>1,666,486</u>	<u>2,177,386</u>	<u>1,726,152</u>	<u>574,307</u>	<u>-</u>	<u>20,792,288</u>
Supporting services:															
Depreciation and amortization	635,027	1,455,795	1,268,220	996,465	796,856	615,525	1,004,522	357,586	429,776	1,218,773	2,038,911	1,502,596	1,631,618	-	13,951,670
Interest and service fees	90,738	274,795	417,998	231,627	551,779	321,512	286,923	12,708	53,652	566,453	1,096,090	1,825,607	902,529	-	6,632,411
Total supporting services	<u>725,765</u>	<u>1,730,590</u>	<u>1,686,218</u>	<u>1,228,092</u>	<u>1,348,635</u>	<u>937,037</u>	<u>1,291,445</u>	<u>370,294</u>	<u>483,428</u>	<u>1,785,226</u>	<u>3,135,001</u>	<u>3,328,203</u>	<u>2,534,147</u>	<u>-</u>	<u>20,584,081</u>
Total expenses	<u>2,876,677</u>	<u>4,190,403</u>	<u>4,406,148</u>	<u>3,425,685</u>	<u>2,566,713</u>	<u>1,838,656</u>	<u>3,178,899</u>	<u>888,243</u>	<u>1,078,037</u>	<u>3,451,712</u>	<u>5,312,387</u>	<u>5,054,355</u>	<u>3,108,454</u>	<u>-</u>	<u>41,376,369</u>
Net (loss) income	<u>\$ (565,685)</u>	<u>\$ (1,733,388)</u>	<u>\$ (1,643,965)</u>	<u>\$ (1,197,395)</u>	<u>\$ (1,229,648)</u>	<u>\$ (759,499)</u>	<u>\$ (1,299,235)</u>	<u>\$ (384,206)</u>	<u>\$ (464,065)</u>	<u>\$ (1,253,253)</u>	<u>\$ (1,800,058)</u>	<u>\$ (1,590,489)</u>	<u>\$ (2,811,174)</u>	<u>\$ -</u>	<u>\$ (16,732,060)</u>

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