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

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

December 31, 2020 and 2019

**Contents**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Breaking Ground Housing Development Fund Corporation and Affiliates:

We have audited the accompanying consolidated financial statements of Breaking Ground Housing Development Fund Corporation and Affiliates (collectively, "Breaking Ground"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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, La Central Supportive L.P., and Edwin's Place, L.P. (collectively, the "Controlled Housing Entities"), which statements reflect total assets constituting $555,930,129, or 58% and $493,786,229, or 56% of consolidated total assets as of December 31, 2020 and 2019, respectively, and total revenues of $27,520,504, or 30% and $24,644,309, or 27%, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Controlled Housing Entities, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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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, 2020 and 2019, 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, 2020 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Melville, New York
June 30, 2021

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**As of December 31, 2020 and 2019, with Consolidating Information as of December 31, 2020**

| | 2020 | | | | 2019 |
|---|---|---|---|---|---|
| | Not-for-Profit Entities | Housing Entities | Eliminations | Consolidated Total | Consolidated Total |
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Cash | $ 19,454,663 | $ 4,986,378 | $ - | $ 24,441,041 | $ 13,750,320 |
| Lender restricted cash | 2,217,356 | 370,945 | - | 2,588,301 | 2,564,463 |
| Contractual reserves | - | 1,431,191 | - | 1,431,191 | 543,771 |
| Accounts receivable, net | 18,511,165 | 2,736,350 | (1,312,784) | 19,934,731 | 15,091,149 |
| Advances due from affiliates | 11,085,868 | 2,885,594 | (13,971,462) | - | - |
| Development fees receivable | 4,025,235 | - | - | 4,025,235 | 1,782,171 |
| Other assets, net | 1,589,505 | 701,863 | - | 2,291,368 | 1,794,158 |
| Total current assets | 56,883,792 | 13,112,321 | (15,284,246) | 54,711,867 | 35,526,032 |
| NONCURRENT ASSETS | | | | | |
| Contractual reserves | 23,140,813 | 10,901,100 | - | 34,041,913 | 28,393,114 |
| Accounts receivable, net | 14,208,902 | - | (750,000) | 13,458,902 | 14,154,600 |
| Tenant security deposits | 635,591 | 671,511 | - | 1,307,102 | 1,305,167 |
| Development fees receivable | 30,834,895 | - | (25,069,807) | 5,765,088 | 11,807,609 |
| Affiliate notes and interest receivable | 39,971,537 | - | (39,971,537) | - | - |
| Investment in Housing Entities | 5,873,817 | - | (5,873,817) | - | - |
| Other assets, net | 894,425 | 491,579 | - | 1,386,004 | 1,328,971 |
| Property and equipment, net | 267,636,343 | 602,947,817 | (21,828,216) | 848,755,944 | 796,694,206 |
| Total noncurrent assets | 383,196,323 | 615,012,007 | (93,493,377) | 904,714,953 | 853,683,667 |
| Total assets | $ 440,080,115 | $ 628,124,328 | $ (108,777,623) | $ 959,426,820 | $ 889,209,699 |
| **LIABILITIES** | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable and accrued expenses | $ 10,103,228 | $ 3,434,639 | $ (1,702,369) | $ 11,835,498 | $ 10,209,232 |
| Construction payable | 189,600 | 6,789,928 | - | 6,979,528 | 9,123,763 |
| Accrued interest payable - mortgages and notes | - | 15,682 | - | 15,682 | 15,819 |
| Advances due to affiliates | 2,885,594 | 11,085,868 | (13,971,462) | - | - |
| Deferred revenue | 11,597,471 | 531,863 | - | 12,129,334 | 10,062,589 |
| Project grant advances | 176,471 | - | - | 176,471 | 176,471 |
| Development fees payable | - | 5,750,335 | - | 5,750,335 | 2,545,958 |
| Mortgages and notes payable | 338,667 | 878,237 | - | 1,216,904 | 1,385,518 |
| Total current liabilities | 25,291,031 | 28,486,552 | (15,673,831) | 38,103,752 | 33,519,350 |
| NONCURRENT LIABILITIES | | | | | |
| Security deposits | 634,569 | 673,977 | - | 1,308,546 | 1,290,455 |
| Other liabilities | 985,552 | 825,796 | (750,000) | 1,061,348 | 927,042 |
| Accrued interest payable - mortgages and notes | 17,626,893 | 16,529,946 | - | 34,156,839 | 26,081,994 |
| Deferred revenue | 6,105,563 | - | (4,981,133) | 1,124,430 | 4,034,372 |
| Project grant advances | 12,554,237 | - | - | 12,554,237 | 11,730,707 |
| Development fees payable | 1,000,000 | 32,652,007 | (25,069,807) | 8,582,200 | 16,409,572 |
| Affiliate notes and interest payable | - | 39,971,537 | (39,971,537) | - | - |
| Mortgages and notes payable, net | 253,184,848 | 406,051,664 | - | 659,236,512 | 596,475,171 |
| Total noncurrent liabilities | 292,091,662 | 496,704,927 | (70,772,477) | 718,024,112 | 656,949,313 |
| Total liabilities | 317,382,693 | 525,191,479 | (86,446,308) | 756,127,864 | 690,468,663 |
| Commitments and contingencies | | | | | |
| **NET ASSETS** | | | | | |
| Without donor restrictions: | | | | | |
| Controlling interest | 106,230,978 | 2,972,070 | (22,331,315) | 86,871,733 | 94,960,937 |
| Noncontrolling interest | - | 99,960,779 | - | 99,960,779 | 90,960,603 |
| With donor restrictions | 16,466,444 | - | - | 16,466,444 | 12,819,496 |
| Total net assets | 122,697,422 | 102,932,849 | (22,331,315) | 203,298,956 | 198,741,036 |
| Total liabilities and net assets | $ 440,080,115 | $ 628,124,328 | $ (108,777,623) | $ 959,426,820 | $ 889,209,699 |

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, 2020 and 2019, with Consolidating Information for the Year Ended December 31, 2020**

| | 2020 | | | | 2019 |
|---|---|---|---|---|---|
| | Not-for-Profit Entities | Housing Entities | Eliminations | Consolidated Total | Consolidated Total |
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | | | | |
| Revenues and support without donor restrictions: | | | | | |
| Contributions | $ 4,506,189 | $ - | $ - | $ 4,506,189 | $ 3,103,061 |
| Government grants and contracts | 38,868,436 | - | - | 38,868,436 | 37,091,437 |
| Management and partnership fees | 2,197,918 | - | (1,847,396) | 350,522 | 353,656 |
| Development fees | 8,713,735 | - | (6,958,818) | 1,754,917 | 7,539,005 |
| Rental income | 13,410,454 | 25,011,157 | (2,025,374) | 36,396,237 | 34,197,863 |
| Other income | 4,762,402 | 2,509,347 | (837,039) | 6,434,710 | 6,234,737 |
| Net assets released from restrictions | 2,001,547 | - | - | 2,001,547 | 1,692,235 |
| Total revenues and support | 74,460,681 | 27,520,504 | (11,668,627) | 90,312,558 | 90,211,994 |
| Expenses: | | | | | |
| Social services | 39,454,614 | - | (197,189) | 39,257,425 | 35,770,407 |
| Housing management and development | 4,217,594 | - | - | 4,217,594 | 5,248,481 |
| Permanent housing operations | 10,344,685 | 22,658,435 | (3,676,595) | 29,326,525 | 28,218,323 |
| Supportive services | 11,139,776 | - | (179,403) | 10,960,373 | 9,451,553 |
| General and administrative | 917,905 | - | - | 917,905 | 642,814 |
| Fundraising | 538,441 | - | - | 538,441 | 973,162 |
| Depreciation and amortization | 3,799,427 | 13,524,376 | (376,318) | 16,947,485 | 17,381,913 |
| Interest and service fees | 5,607,478 | 7,131,136 | (710,725) | 12,027,889 | 11,363,623 |
| Total expenses | 76,019,920 | 43,313,947 | (5,140,230) | 114,193,637 | 109,050,276 |
| Change in net assets before other non-recurring item | (1,559,239) | (15,793,443) | (6,528,397) | (23,881,079) | (18,838,282) |
| Other non-recurring item: | | | | | |
| Gain on forgiveness of loan | - | - | - | - | 185,000 |
| Decrease in net assets without donor restrictions | (1,559,239) | (15,793,443) | (6,528,397) | (23,881,079) | (18,653,282) |
| NET ASSETS WITH DONOR RESTRICTIONS | | | | | |
| Revenues and support with donor restrictions: | | | | | |
| Contributions | 5,648,495 | - | - | 5,648,495 | 3,563,639 |
| Net assets released from restrictions | (2,001,547) | - | - | (2,001,547) | (1,692,235) |
| Increase in net assets with donor restrictions | 3,646,948 | - | - | 3,646,948 | 1,871,404 |
| Change in net assets | 2,087,709 | (15,793,443) | (6,528,397) | (20,234,131) | (16,781,878) |
| Excess of expenses over revenues and support attributable to noncontrolling interests | - | 15,791,875 | - | 15,791,875 | 16,730,398 |
| Excess (deficiency) of revenues and support over expenses attributable to Breaking Ground | $ 2,087,709 | $ (1,568) | $ (6,528,397) | $ (4,442,256) | $ (51,480) |

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, 2020 and 2019**

| | Net Assets Without Donor Restrictions | | | Net Assets With Donor Restrictions | Consolidated Total |
|---|---|---|---|---|---|
| | **Controlling** | **Noncontrolling** | **Total** | | |
| **Beginning balance, January 1, 2019** | $ 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 | (1,922,884) | - | (1,922,884) | 1,871,404 | (51,480) |
| **Ending balance, December 31, 2019** | $ 94,960,937 | $ 90,960,603 | $ 185,921,540 | $ 12,819,496 | $ 198,741,036 |
| Contributions from investors | - | 24,792,051 | 24,792,051 | - | 24,792,051 |
| Excess of expenses over revenue and support attributable to noncontrolling interests | - | (15,791,875) | (15,791,875) | - | (15,791,875) |
| (Deficiency) excess of revenues and support over expenses attributable to Breaking Ground | (8,089,204) | - | (8,089,204) | 3,646,948 | (4,442,256) |
| **Ending balance, December 31, 2020** | $ 86,871,733 | $ 99,960,779 | $ 186,832,512 | $ 16,466,444 | $ 203,298,956 |

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, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | $ (20,234,131) | $ (16,781,878) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 16,947,485 | 17,381,913 |
| Amortization of debt issuance costs | 278,517 | 228,773 |
| (Increase) decrease in operating assets: | | |
| Accounts receivable, net | (4,147,884) | (1,914,077) |
| Other assets, net | (596,549) | (797,460) |
| Development fees receivable | 3,799,457 | (4,282,240) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 1,626,266 | 1,541,603 |
| Security deposits | 18,091 | (52,877) |
| Other liabilities | 134,306 | 129,002 |
| Accrued interest payable - mortgages and notes | 8,074,708 | 7,468,622 |
| Deferred revenue | (843,197) | 2,851,576 |
| Project grant advances | 823,530 | (10,704,253) |
| Development fees payable | (4,622,995) | 4,073,543 |
| Net cash provided by (used in) operating activities | 1,257,604 | (857,753) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Change in contractual reserves | (6,536,219) | (915,850) |
| Payments on construction payable | (61,213,139) | (54,259,632) |
| Capital expenditures | (9,898,013) | (24,080,117) |
| Net cash used in investing activities | (77,647,371) | (79,255,599) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Capital contributions received from investors | 24,792,051 | 34,073,626 |
| Proceeds from loans | 93,268,589 | 68,342,494 |
| Repayments of loans | (30,954,379) | (20,260,783) |
| Net cash provided by financing activities | 87,106,261 | 82,155,337 |
| Net increase in cash | 10,716,494 | 2,041,985 |
| Cash and restricted cash, beginning of year | 17,619,950 | 15,577,965 |
| Cash and restricted cash, end of year | $ 28,336,444 | $ 17,619,950 |
| Supplemental disclosure of information: | | |
| Cash paid for interest | $ 659,747 | $ 712,626 |
| Supplemental schedule of non-cash investing and financing activities: | | |
| Construction payable capitalized to rental property | $ 59,068,904 | $ 54,592,672 |

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

## 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 (“HDFC”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 New Yorkers. 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 (“U.S. GAAP”). The HDFC entities of Breaking Ground were organized under Section 402 of the Not-for-Profit Corporation Law and pursuant to Article XI of the Private Housing Finance Law 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 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. |

| 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 U.S. GAAP and include the accounts of the entities listed above, as follows:

<u>Not-for-Profit Entities</u> - 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.

<u>Housing Entities</u> - 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:

<u>Net assets without donor restrictions - controlling interest</u> - 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.

<u>Net assets without donor restrictions - noncontrolling interest</u> - 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.

<u>Net assets with donor restrictions</u> - 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.

### *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 up to an aggregate amount of $250,000 for each entity. At times, cash balances within these accounts may exceed federally insured limits. Breaking Ground has not experienced, nor does it anticipate, any losses in such accounts.

### *Lender Restricted Cash and Contractual Reserves*

Lender restricted cash and contractual reserves represent amounts that are required to be maintained by contractual or other agreements and consist of cash and cash equivalents, a certificate of deposit and treasury bills. Cash equivalents represent short-term investments with original maturities of three months or less from the date of purchase.

### *Concentration of Credit and Market Risks*

Financial instruments that expose Breaking Ground to potential concentrations of credit and market risks consist primarily of cash and restricted reserves. All such instruments are maintained at reputable financial institutions and credit exposure is not limited to any one institution. Management does not believe that its financial instruments are subject to significant concentrations of market risk due to diversification.

### *Revenue Recognition*

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.

Management and partnership fees revenue are recognized evenly over the management and partnership fee term as its partners simultaneously receive and consume the benefits over that timeframe.

Development fees revenue is recognized over time in the years earned based on milestones established in the partnership or 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, revenue are recognized 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.

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, 2020, grants and contributions receivable of approximately $16.7 million were due to be collected within one year, and approximately $280,000 was due to be collected in 2022. 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. These amounts are included within accounts receivable in the accompanying consolidated statements of financial position.

As of December 31, 2020 and 2019, Breaking Ground's outstanding conditional contributions totaled approximately $92 million and $80 million, respectively, which will be recognized as revenue as conditions are met.

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, 2020 and 2019 totaled $9,790,323 and $13,589,780, 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. The allowance for doubtful accounts balance as of December 31, 2020 and 2019 totaled $2,443,820 and $987,672, 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 included in this category generally include privately held investments and partnership interests.

***Property and Equipment, net***

Property and equipment are recorded at cost or fair value at the date of contribution, if donated. Property and equipment costing greater than $10,000 and with a useful life of three years or greater are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, as follows:

| Property Classification | Estimated Useful Lives |
|---|---|
| Buildings and improvements | 40 years |
| Leasehold improvements | Lesser of useful life or lease term |
| Furniture and equipment | 3-7 years |

All third-party costs, including interest expense associated with the acquisition of property for potential development, are capitalized as construction-in-progress. Any costs associated with potential acquisitions that are not deemed probable are expensed. All construction-related costs for properties where construction has commenced are capitalized as costs are incurred. Depreciation does not commence on construction-in-progress until the asset has been placed in service. Interest, real estate taxes, and insurance costs incurred during the period of rehabilitation of the projects are capitalized as part of the cost and presented as construction-in-progress.

### *Impairment of Long-Lived Assets*

Breaking Ground reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment losses were recognized for the years ended December 31, 2020 and 2019, 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 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 consolidated 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 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 U.S. 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 2019 consolidated financial statements has been reclassified to conform to the fiscal 2020 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2019 consolidated financial statements.

## NOTE 3 - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, as of December 31, 2020 and 2019 consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Note receivable | $ 13,179,600 | $ 13,179,600 |
| Government grants and contracts | 15,250,890 | 10,632,591 |
| Housing Entities receivables | 2,598,852 | 2,099,358 |
| Contribution receivables | 1,709,940 | 2,806,921 |
| Tenant accounts receivables | 1,266,456 | 826,510 |
| Other | 1,831,715 | 688,441 |
| Accounts receivable, gross | 35,837,453 | 30,233,421 |
| Less: Allowance for doubtful accounts | (2,443,820) | (987,672) |
| Accounts receivable, net | $ 33,393,633 | $ 29,245,749 |

## NOTE 4 - LENDER RESTRICTED CASH AND CONTRACTUAL RESERVES

Under the terms of the various partnership agreements, operating 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 partnership or operating agreements.

Lender restricted cash and contractual reserves, at fair value, as of December 31, 2020 and 2019 consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 20,750,655 | $ 19,906,740 |
| Certificate of deposit | 1,800,000 | 1,800,000 |
| Treasury bills | 15,510,750 | 9,794,608 |
| Total | $ 38,061,405 | $ 31,501,348 |

Breaking Ground's lender restricted cash and contractual reserves classified within the fair value hierarchy as of December 31, 2020 and 2019 consisted of the following:

| | 2020 | |
|---|---|---|
| | | **Total** |
| Cash and cash equivalents | | $ 20,750,655 |
| | **Level 2** | |
| Certificate of deposit | $ 1,800,000 | 1,800,000 |
| Treasury bills | 15,510,750 | 15,510,750 |
| Total | $ 17,310,750 | $ 38,061,405 |

| | 2019 | |
|---|---|---|
| | | **Total** |
| Cash and cash equivalents | | $ 19,906,740 |
| | **Level 2** | |
| Certificate of deposit | $ 1,800,000 | 1,800,000 |
| Treasury bills | 9,794,608 | 9,794,608 |
| Total | $ 11,594,608 | $ 31,501,348 |

Interest income for the years ended December 31, 2020 and 2019 totaled $1,220,692 and $261,970, respectively, and is recorded as other income within the consolidated statements of activities. Contractual reserve fees for the years ended December 31, 2020 and 2019 totaled $327,938 and $211,826, respectively, and are recorded as interest and service fees within the consolidated statements of activities.

**NOTE 5 - CONSOLIDATED 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:

| | 2020 | 2019 |
|---|---|---|
| Cash | $ 24,441,041 | $ 13,750,320 |
| Lender restricted cash | 2,588,301 | 2,564,463 |
| Tenant security deposits | 1,307,102 | 1,305,167 |
| Total cash and restricted cash shown in the consolidated statements of cash flows | $ 28,336,444 | $ 17,619,950 |

Amounts included in restricted cash are comprised of lender restricted cash and 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, 2020 and 2019 consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Buildings and improvements | $ 855,073,944 | $ 791,013,495 |
| Leasehold improvements | 4,742,807 | 4,742,807 |
| Furniture and equipment | 21,895,888 | 20,745,235 |
| Land improvements | 10,384,056 | 10,384,056 |
| Total depreciable assets | 892,096,695 | 826,885,593 |
| Less: Accumulated depreciation | (175,865,681) | (158,960,502) |
| Total depreciable assets net of depreciation | 716,231,014 | 826,885,593 |
| Land | 45,168,365 | 44,907,961 |
| Construction-in-progress | 87,356,565 | 83,861,154 |
| Total property and equipment, net | $ 848,755,944 | $ 796,694,206 |

Depreciation and amortization expense totaled $16,947,485 and $17,381,913 for the years ended December 31, 2020 and 2019, respectively. Ongoing construction-in-progress projects relating to BG Betances L.P. and 90 Sands Housing Development Fund Corporation are expected to be completed in 2021 and 2022, respectively.

## 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:

| | 2020 | 2019 | Maturity Date |
|---|---|---|---|
| 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 II - Edwin's Place L.P. | 1,000,000 | - | 4/1/2076 |
| BG IV - Andrews | 500,000 | 500,000 | 4/17/2024 |
| BG - Neighborhood Stabilization Program | 1,251,765 | 1,428,235 | 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 |
| Total project grant advances | $ 12,730,708 | $ 11,907,178 | |

## 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, 2020 and 2019 consisted of the following:

| Entity | Lender | 2020 | 2019 | Final Maturity Date | Interest Rate |
|---|---|---|---|---|---|
| BG | van Ameringen Foundation | $ 1,500,000 | $ 1,500,000 | 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 | 5/30/2023 | 2% |
| BG | Wells Fargo Community Investment Holdings | 600,000 | 600,000 | 1/1/2027 | 2% |
| BG | Deutsche Bank Foundation PRI Grant | 80,000 | 40,000 | 11/30/2023 | 0% |
| BG | Nonprofit Finance Fund | 1,900,000 | - | 7/10/2022 | 0% |
| BG | U.S. SBA Paycheck Protection Program (JPMorgan Chase Bank, N.A.) | 869,237 | - | 6/29/2025 | 0.98% |
| 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 | 320,239 | 426,782 | 8/15/2023 | 6.49% |
| BGM | U.S. SBA Paycheck Protection Program (Sterling National Bank) | 4,326,700 | - | 5/14/2022 | 1% |
| 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 | U.S. SBA Paycheck Protection Program (JPMorgan Chase Bank, N.A.) | 433,842 | - | 6/30/2025 | 0.98% |
| Prince George Associates, L.P. | NYC Department of Housing Preservation and Development | 12,573,634 | 12,569,932 | 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 | 155,000,000 | 155,000,000 | 6/30/2083 | 2.91% |
| 90 Sands H.D.F.C. | Leviticus Loan | - | 1,022,765 | 10/22/2020 | 6% |
| 90 Sands H.D.F.C. | NYC Department of Housing Preservation and Development - Reso A | 2,000,000 | 2,000,000 | 6/30/2083 | 2.91% |
| 90 Sands H.D.F.C. | NYC Housing Development Corporation | 11,941,733 | - | 8/30/2063 | ST-4.6% / LT-5.075% |
| 90 Sands H.D.F.C. | NYC Housing Development Corporation | 5,374,374 | - | 8/30/2063 | ST-4.6% / LT-5.075% |
| Chelsea Residence Limited Partnership | NYC Department of Housing Preservation and Development | 16,509,953 | 16,504,275 | 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 | 19,520,259 | 19,510,081 | 4/29/2038 | 1% |
| Pitt Street L.P. | NYC Department of Housing Preservation and Development | 24,351,702 | 24,336,332 | 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 | 17,509,669 | 17,505,114 | 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 | 696,441 | 694,670 | 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 | 263,962 | 274,773 | 9/1/2042 | 1% |
| 410 Asylum Street, LLC | Connecticut Housing Finance Authority | 3,528,192 | 3,557,033 | 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 | 17,559,199 | 17,545,684 | 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% |

| Entity | Lender | 2020 | 2019 | Final Maturity Date | Interest Rate |
|---|---|---|---|---|---|
| Common Ground Cedarwoods Housing LLC | Connecticut Housing Finance Authority | $ 5,610,515 | $ 5,608,241 | 10/1/2060 | Non-interest bearing |
| Common Ground Cedarwoods Housing LLC | State of Connecticut | 3,430,000 | 3,430,000 | 12/15/2060 | Non-interest bearing |
| 1630 Dewey Avenue LLC | NYS Homeless Housing Assistance Corporation | 3,000,000 | 3,000,000 | 1/14/2043 | 1% |
| 1630 Dewey Avenue LLC | Housing Trust Fund Corporation | 1,654,426 | 1,653,329 | 8/3/2045 | 1% |
| Boston Road Housing L.P. | NYC Department of Housing Preservation and Development | 4,559,564 | 4,559,564 | 1/13/2046 | 1% |
| Boston Road Housing L.P. | NYC Department of Housing Preservation and Development- Reso A | 2,000,000 | 2,000,000 | 1/13/2046 | 1% |
| 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 | 4,716,362 | 4,801,825 | 2/1/2046 | 2% |
| Boston Road Housing L.P. | NYS Housing Finance Agency | 6,930,000 | 6,930,000 | 2/1/2046 | 1% |
| 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 | 12/1/2048 | 1% |
| Webster Avenue Affordable LLC | NYC Department of Housing Preservation and Development - Reso A | 298,382 | 298,382 | 12/1/2048 | 1% |
| Webster Avenue Affordable LLC | NYS Homeless Housing Assistance Corporation | 2,000,000 | 2,000,000 | 12/1/2048 | Non-interest bearing |
| Webster Avenue Affordable LLC | NYC Housing Development Corporation | 9,037,227 | 11,198,025 | 12/1/2048 | 5.70% |
| Webster Avenue Affordable LLC | NYC Housing Development Corporation | 16,120,000 | 14,044,894 | 12/1/2048 | 1% |
| Webster Avenue Supportive LLC | NYC Department of Housing Preservation and Development | 11,970,000 | 11,970,000 | 8/15/2049 | 2.57% |
| Webster Avenue Supportive LLC | NYS Homeless Housing Assistance Corporation | 2,500,000 | 2,500,000 | 8/31/2048 | Non-interest bearing |
| Webster Avenue Supportive LLC | NYS Housing Finance Agency | 14,702,312 | 14,944,814 | 8/1/2048 | 4.75% |
| Webster Avenue Supportive LLC | NYS Housing Finance Agency | 6,138,000 | 6,138,000 | 8/1/2048 | 1% |
| La Central Supportive L.P. | NYC Department of Housing Preservation and Development | 12,075,000 | 12,075,000 | 7/16/2074 | 0.25% |
| La Central Supportive L.P. | NYS Homeless Housing Assistance Corporation | 5,900,000 | 5,366,217 | 7/1/2049 | Non-interest bearing |
| La Central Supportive L.P. | NYS Housing Finance Agency | 7,141,708 | 32,138,546 | 2/1/2050 | 4.5% |
| La Central Supportive L.P. | NYS Housing Finance Agency | 11,518,256 | 5,131,209 | 2/1/2050 | 1% |
| La Central Supportive L.P. | NYS Homeless Housing Assistance Corporation | 250,000 | 250,000 | 7/16/2074 | 0.25% |
| Edwin's Place L.P. | NYS Housing Finance Agency | 36,264,177 | 33,384,073 | ST-5/1/2022 / LT-2/1/2051 | ST-2.65% / LT-4.85% |
| Edwin's Place L.P. | NYS Housing Finance Agency | 7,672,455 | 754,036 | 2/1/2051 | 0.50% |
| Edwin's Place L.P. | NYC Department of Housing Preservation and Development | 10,710,000 | 7,619,635 | 55 yrs. after conversion | 0.25% |
| Edwin's Place L.P. | NYS Homeless Housing Assistance Corporation | 7,000,000 | 903,347 | 9/22/2050 | Non-interest bearing |
| Betances L.P. | NYC Department of Housing Preservation and Development | 12,724,800 | 4,978,509 | ST-34 months after closing / LT-40 yrs. after conversion | ST-2.72%/ LT-AFR |
| Betances L.P. | NYC Housing Development Corporation | 27,621,547 | 7,123,567 | ST-4/27/2022 / LT-10/31/2062 | ST-2.9% / LT-5.575% |
| Betances L.P. | NYS Homeless Housing Assistance Corporation | 1,717,714 | - | 40 yrs. after occupancy | Non-interest bearing |
| Betances L.P. | NYC Housing Development Corporation | 8,359,800 | - | 10/31/2062 | 2.72% |
| | Total mortgages and notes payable | $ 660,453,416 | $ 597,860,689 | | |

Included within mortgages and notes payable are debt issuance costs of $6,623,196 and $5,963,461, respectively, as of December 31, 2020 and 2019.

The scheduled future principal payments follow:

| Year Ending December 31, | Amount |
|---|---|
| 2021 | $ 1,216,904 |
| 2022 | 33,810,652 |
| 2023 | 1,215,983 |
| 2024 | 2,566,086 |
| 2025 | 2,647,113 |
| Thereafter | 618,996,678 |
| | $ 660,453,416 |

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, 2020 and 2019, Breaking Ground was in compliance with all financial and operating covenants.

Interest and service fees totaling $12,027,889 and $11,363,623 were expensed for the years ended December 31, 2020 and 2019, respectively.

**NOTE 9 - PPP LOAN**

In May 2020, BGM was granted a loan from Sterling National Bank in the aggregate amount of $4,326,700 pursuant to the Small Business Administration Paycheck Protection Program (the “PPP”) under Division A, Title 1 of the CARES Act (the “PPP Loan”). The PPP Loan, which was in the form of a note dated May 06, 2020, matures on May 06, 2022 and bears interest at a rate of 1% per annum.

In June 2020, BG and BG II were granted two separate loans from JPMorgan Chase Bank, N.A. in the aggregate amounts of $869,237 and $433,842, respectively, pursuant to the Small Business Administration Paycheck Protection Program (“the PPP”) under Division A, Title 1 of the CARES Act. The PPP, which were in the form of notes dated June 29, 2020 and June 30, 2020, respectively, mature on June 29, 2025 and June 30, 2025, respectively, and bear interest at a rate of 0.98% per annum.

The PPP Loans may be prepaid by BGM, BG or BG II at any time prior to maturity with no repayment penalties. Funds from the PPP Loans may only be used for certain costs, such as payroll costs and occupancy expenses.

## NOTE 10 - 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, 2020 and 2019 was derived from the following federal, New York City and New York State government agencies:

| | 2020 | 2019 |
|---|---|---|
| NYC Department of Homeless Services | $ 29,799,799 | $ 28,615,828 |
| NYC Department of Health and Mental Hygiene | 4,304,775 | 3,652,382 |
| NYC HIV/AIDS Service Administration | 2,890,314 | 3,037,233 |
| NYS Office of Mental Health | 1,226,474 | 1,324,667 |
| Empire State Supportive Housing Initiative | 398,731 | 203,721 |
| Dormitory Authority of the State of New York | 170,943 | 185,606 |
| NYS Office of Temporary and Disability Assistance | 77,400 | 72,000 |
| | $ 38,868,436 | $ 37,091,437 |

## 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 $526,701 and $502,481 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the liability relating to this plan totaled $402,427 and $307,223, respectively, and is included in other liabilities in the accompanying consolidated statements of financial position. 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 $4,984,874 and $4,965,154 for the years ended December 31, 2020 and 2019, respectively. Estimated future minimum lease payments due under the terms of the leases follow:

| Year Ending December 31, | Amount |
|---|---|
| 2021 | $ 3,988,946 |
| 2022 | 1,944,594 |
| 2023 | 1,361,519 |
| 2024 | 1,380,030 |
| 2025 | 542,949 |
| Thereafter | 790,829 |
| | $ 10,008,867 |

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 $1,771,088 and $1,762,686 for the years ended December 31, 2020 and 2019, respectively. Estimated future minimum receipts due under the terms of the leases follow:

| Year Ending December 31, | Amount |
|---|---|
| 2021 | $ 1,158,579 |
| 2022 | 1,242,462 |
| 2023 | 1,223,100 |
| 2024 | 1,291,146 |
| 2025 | 1,204,163 |
| Thereafter | 7,272,315 |
| | $ 13,391,765 |

***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, 2020 and 2019, 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.

### *Multi-employer 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 multi-employer 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, 2020 and 2019 because it was 81% 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, 2020 and 2019, Breaking Ground contributed $118,047 and $114,374, respectively, to the Fund, which is less than 5% of the plan's contributions.

### *Coronavirus Pandemic*

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. As of December 31, 2020, the pandemic is still ongoing. Breaking Ground continues to monitor the results of operations to evaluate the financial impact of the pandemic.

### *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 for the years ended December 31, 2020 and 2019 consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Financial assets: | | |
| Cash | $ 24,441,041 | $ 13,750,320 |
| Accounts receivable | 19,934,731 | 15,091,149 |
| Development fees receivable | 4,025,235 | 1,782,171 |
| Total available resources | 48,401,007 | 30,623,640 |
| Less: | | |
| Net assets with donor restrictions: | | |
| Development purpose | (6,255,000) | (1,940,000) |
| Program purpose | (1,278,956) | (631,343) |
| Total financial assets available for general expenditures | $ 40,867,051 | $ 28,052,297 |

## 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 years ended December 31, 2020 and summarized 2019 consisted of the following:

| | Program Services | | | | Supporting Services | | | | | Housing Entities | | Total Expenses | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Social Services | Housing Management and Development | Permanent Housing Operations | Total Program Services | Supportive Services | General and Administrative | Fundraising | Total Supporting Services | Total Not-for-Profit Entities | Permanent Housing Operations | Eliminations | 2020 | 2019 |
| Salaries | $ 15,070,501 | $ 2,454,479 | $ 3,428,454 | $ 20,953,434 | $ 4,974,430 | $ 446,463 | $ 356,038 | $ 5,776,931 | $ 26,730,365 | $ 3,161,807 | $ (53,230) | $ 29,838,942 | $ 29,503,640 |
| Fringe benefits | 4,218,587 | 1,068,199 | 1,032,304 | 6,319,090 | 1,824,148 | 123,627 | 93,392 | 2,041,167 | 8,360,257 | 1,088,746 | (107) | 9,448,896 | 8,543,817 |
| Total personnel | 19,289,088 | 3,522,678 | 4,460,758 | 27,272,524 | 6,798,578 | 570,090 | 449,430 | 7,818,098 | 35,090,622 | 4,250,553 | (53,337) | 39,287,838 | 38,047,457 |
| Professional and management fees | 4,731,103 | 14,092 | 228,277 | 4,973,472 | 799,547 | 82,388 | - | 881,935 | 5,855,407 | 2,831,962 | (2,104,941) | 6,582,428 | 6,570,861 |
| Rent expense | 3,772,874 | 338,417 | 146,938 | 4,258,229 | 1,090,131 | - | - | 1,090,131 | 5,348,360 | 270,887 | (195,821) | 5,423,426 | 5,397,231 |
| Utilities | 1,183,333 | - | 1,642,303 | 2,825,636 | 60,096 | - | - | 60,096 | 2,885,732 | 3,155,217 | (397,599) | 5,643,350 | 5,306,463 |
| Security | 3,274,993 | - | 782,390 | 4,057,383 | - | 18,023 | - | 18,023 | 4,075,406 | 3,479,758 | (1,250,754) | 6,304,410 | 5,799,574 |
| Repairs and maintenance | 1,123,700 | 19,615 | 1,481,988 | 2,625,303 | 376,710 | 26,131 | - | 402,841 | 3,028,144 | 3,480,012 | (318,547) | 6,189,609 | 5,779,588 |
| Events and other fundraising | - | - | - | - | - | 6,322 | 84,685 | 91,007 | 91,007 | - | - | 91,007 | 458,400 |
| Insurance | 889,260 | 28,623 | 546,671 | 1,464,554 | 70,193 | 29,973 | - | 100,166 | 1,564,720 | 1,481,476 | (266,779) | 2,779,417 | 2,277,323 |
| Client expense | 4,330,771 | 78,551 | 179,595 | 4,588,917 | - | - | - | - | 4,588,917 | - | 571,099 | 5,160,016 | 3,822,019 |
| Office expense | 590,276 | 98,188 | 328,194 | 1,016,658 | 474,512 | 35,096 | 1,877 | 511,485 | 1,528,143 | 714,333 | (36,488) | 2,205,988 | 2,027,986 |
| Staff expense | 143,759 | 24,785 | 15,915 | 184,459 | 188,240 | 2,573 | 2,449 | 193,262 | 377,721 | 37,231 | (20) | 414,932 | 660,449 |
| Fees and other expense | 86,937 | 59,477 | 285,458 | 431,872 | 442,371 | 147,309 | - | 589,680 | 1,021,552 | 2,276,687 | - | 3,298,239 | 3,047,404 |
| Bad debt | 38,520 | 33,168 | 246,198 | 317,886 | 839,398 | - | - | 839,398 | 1,157,284 | 680,319 | - | 1,837,603 | 1,109,985 |
| Total expenses before depreciation and amortization | 39,454,614 | 4,217,594 | 10,344,685 | 54,016,893 | 11,139,776 | 917,905 | 538,441 | 12,596,122 | 66,613,015 | 22,658,435 | (4,053,187) | 85,218,263 | 80,304,740 |
| Depreciation and amortization | - | - | 3,172,510 | 3,172,510 | 626,917 | - | - | 626,917 | 3,799,427 | 13,524,376 | (376,318) | 16,947,485 | 17,381,913 |
| Interest and service fees | - | - | 5,431,158 | 5,431,158 | 176,320 | - | - | 176,320 | 5,607,478 | 7,131,136 | (710,725) | 12,027,889 | 11,363,623 |
| Total Expenses | $ 39,454,614 | $ 4,217,594 | $ 18,948,353 | $ 62,620,561 | $ 11,943,013 | $ 917,905 | $ 538,441 | $ 13,399,359 | $ 76,019,920 | $ 43,313,947 | $ (5,140,230) | $ 114,193,637 | $ 109,050,276 |

## NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 and 2019 consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Housing Operations and Tenant Services | $ 1,256,381 | $ 1,036,467 |
| Street to Home Outreach | 503,134 | 358,000 |
| Housing Development | 3,362,688 | 2,510,000 |
| Youth Supportive Housing | 3,000,000 | - |
| HUD Capital Advance | 7,594,241 | 8,140,029 |
| Development Reserve | 750,000 | 750,000 |
| Time-restricted | - | 25,000 |
| | $ 16,466,444 | $ 12,819,496 |

## NOTE 16 - NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2020 and 2019, net assets with donor restrictions that were released from restrictions in satisfaction of donor time or purpose restrictions consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Housing Operations and Tenant Services | $ 1,051,081 | $ 1,136,298 |
| Street to Home Outreach | 332,366 | 26,940 |
| Housing Development | 47,312 | 58,527 |
| HUD Capital Advance | 545,788 | 268,001 |
| Time-restricted | 25,000 | 135,000 |
| | $ 2,001,547 | $ 1,692,235 |

## 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.

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, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Accounts receivable | $ 2,953,297 | $ 1,546,367 |
| Accounts payable and accrued expenses | 685,252 | 684,045 |

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, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Government grants and contracts revenue | $ 4,420,475 | $ 4,060,789 |
| Social services expense | 3,722,177 | 3,524,730 |

## NOTE 18 - SUBSEQUENT EVENTS

Breaking Ground evaluated its December 31, 2020 consolidated financial statements for subsequent events through June 30, 2021, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION INFORMATION - NOT-FOR-PROFIT ENTITIES**

**As of December 31, 2020**

| ASSETS | 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 |
|---|---|---|---|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | | | | | |
| Cash | $ 6,681,746 | $ 7,736,447 | $ 4,330,335 | $ 49,650 | $ 3,551 | $ 187,549 | $ 465,385 | $ - | $ 19,454,663 |
| Lender restricted cash | 2,216,466 | - | - | - | 890 | - | - | - | 2,217,356 |
| Accounts receivable, net | 3,214,006 | 13,333,780 | 935,938 | 41,845 | 1,403,830 | 1,265 | 51,766 | (471,265) | 18,511,165 |
| Advances due from affiliates | 139,036,252 | 17,203,940 | 47,108,232 | 9,603 | 949,768 | 9,053,500 | 505,531 | (202,780,958) | 11,085,868 |
| Development fee receivable | - | - | 4,025,235 | - | - | - | - | - | 4,025,235 |
| Other assets, net | 260,342 | 1,135,285 | 193,869 | - | 9 | - | - | - | 1,589,505 |
| Total current assets | 151,408,812 | 39,409,452 | 56,593,609 | 101,098 | 2,358,048 | 9,242,314 | 1,022,682 | (203,252,223) | 56,883,792 |
| NONCURRENT ASSETS | | | | | | | | | |
| Contractual reserves | 7,692,136 | - | 14,881,109 | - | 962 | 566,606 | - | - | 23,140,813 |
| Accounts receivable, net | 13,458,902 | 457,992 | - | - | - | - | 750,000 | (457,992) | 14,208,902 |
| Tenant security deposits | 316,987 | 19,935 | 163,596 | - | - | 135,073 | - | - | 635,591 |
| Development fees receivable | 3,400,818 | - | 27,434,077 | - | - | - | - | - | 30,834,895 |
| Affiliate notes and interest receivable | 36,940,520 | 1,364,274 | 19,935,462 | - | - | 1,979,694 | 31,529 | (20,279,942) | 39,971,537 |
| Investment in housing entities | (5,714) | - | (1,943,148) | (16,002) | - | - | 7,838,681 | - | 5,873,817 |
| Other assets, net | 198,823 | 484,759 | 210,843 | - | - | - | - | - | 894,425 |
| Property and equipment, net | 33,459,905 | 839,163 | 221,671,831 | - | 11,561,725 | 103,719 | - | - | 267,636,343 |
| Total noncurrent assets | 95,462,377 | 3,166,123 | 282,353,770 | (16,002) | 11,562,687 | 2,785,092 | 8,620,210 | (20,737,934) | 383,196,323 |
| Total assets | $ 246,871,189 | $ 42,575,575 | $ 338,947,379 | $ 85,096 | $ 13,920,735 | $ 12,027,406 | $ 9,642,892 | $ (223,990,157) | $ 440,080,115 |
| **LIABILITIES AND NET ASSETS (DEFICIT)** | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | |
| Accounts payable and accrued expenses | $ 1,193,566 | $ 7,439,677 | $ 1,195,204 | $ 3,978 | $ 150,838 | $ - | $ 591,230 | $ (471,265) | $ 10,103,228 |
| Construction payable | 13,376 | - | 176,224 | - | - | - | - | - | 189,600 |
| Accrued interest payable - mortgages and notes | - | - | - | - | - | - | - | - | - |
| Advances due to affiliates | 64,756,599 | 106,242,612 | 23,027,676 | 31,174 | 8,681,924 | 1,145,053 | 1,781,514 | (202,780,958) | 2,885,594 |
| Deferred revenue | 1,757,219 | 8,578,566 | 231,757 | 73,254 | 956,675 | - | - | - | 11,597,471 |
| Project grant advances | 176,471 | - | - | - | - | - | - | - | 176,471 |
| Mortgages and notes payable | 338,667 | - | - | - | - | - | - | - | 338,667 |
| Total current liabilities | 68,235,898 | 122,260,855 | 24,630,861 | 108,406 | 9,789,437 | 1,145,053 | 2,372,744 | (203,252,223) | 25,291,031 |
| NONCURRENT LIABILITIES | | | | | | | | | |
| Security deposits | 183,649 | 75,673 | 297,606 | - | - | 77,641 | - | - | 634,569 |
| Other liabilities | - | 402,427 | 1,041,117 | - | - | - | - | (457,992) | 985,552 |
| Accrued interest payable - mortgages and notes | 2,498,145 | 28,724 | 14,709,227 | - | 390,797 | - | - | - | 17,626,893 |
| Deferred revenue | 787,732 | 215,331 | 5,102,500 | - | - | - | - | - | 6,105,563 |
| Project grant advances | 6,980,294 | - | 5,073,943 | - | 500,000 | - | - | - | 12,554,237 |
| Development fee payable | - | - | 1,000,000 | - | - | - | - | - | 1,000,000 |
| Affiliate notes and interest payable | - | - | 20,279,942 | - | - | - | - | (20,279,942) | - |
| Mortgages and notes payable, net | 47,560,516 | 4,326,700 | 191,323,583 | - | 9,974,049 | - | - | - | 253,184,848 |
| Total noncurrent liabilities | 58,010,336 | 5,048,855 | 238,827,918 | - | 10,864,846 | 77,641 | - | (20,737,934) | 292,091,662 |
| Total liabilities | 126,246,234 | 127,309,710 | 263,458,779 | 108,406 | 20,654,283 | 1,222,694 | 2,372,744 | (223,990,157) | 317,382,693 |
| Net assets (deficit) | | | | | | | | | |
| Without donor restrictions | 104,158,511 | (84,734,135) | 75,488,600 | (23,310) | (6,733,548) | 10,804,712 | 7,270,148 | - | 106,230,978 |
| With donor restrictions | 16,466,444 | - | - | - | - | - | - | - | 16,466,444 |
| Total net assets (deficit) | 120,624,955 | (84,734,135) | 75,488,600 | (23,310) | (6,733,548) | 10,804,712 | 7,270,148 | - | 122,697,422 |
| Total liabilities and net assets | $ 246,871,189 | $ 42,575,575 | $ 338,947,379 | $ 85,096 | $ 13,920,735 | $ 12,027,406 | $ 9,642,892 | $ (223,990,157) | $ 440,080,115 |

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, 2020**

| | 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 | $ 10,154,684 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 10,154,684 |
| Government grants and contracts | 4,860,607 | 27,878,179 | 1,642,918 | 307,743 | 4,178,989 | - | - | - | 38,868,436 |
| Management and partnership fees | - | 2,999,923 | - | - | - | - | 170,000 | (972,005) | 2,197,918 |
| Development fees | - | - | 8,713,735 | - | - | - | - | - | 8,713,735 |
| Rental income | 7,927,340 | 668,458 | 5,483,041 | - | 29,387 | 134,184 | - | (831,956) | 13,410,454 |
| Other income (loss) | 2,062,703 | 2,218,438 | 747,127 | - | 11,166 | 27,227 | (1,686) | (302,573) | 4,762,402 |
| Total revenues and support | 25,005,334 | 33,764,998 | 16,586,821 | 307,743 | 4,219,542 | 161,411 | 168,314 | (2,106,534) | 78,107,629 |
| EXPENSES | | | | | | | | | |
| Program services: | | | | | | | | | |
| Social services | 5,801,675 | 27,676,259 | 1,607,104 | 285,543 | 4,143,005 | - | - | (58,972) | 39,454,614 |
| Housing management and development | - | 4,217,594 | - | - | - | - | - | - | 4,217,594 |
| Permanent housing operations | 6,229,572 | - | 5,860,102 | - | - | - | - | (1,744,989) | 10,344,685 |
| Total program services | 12,031,247 | 31,893,853 | 7,467,206 | 285,543 | 4,143,005 | - | - | (1,803,961) | 54,016,893 |
| Supporting services: | | | | | | | | | |
| Supportive services | 831,361 | 9,053,568 | 513,384 | 22,889 | 459,043 | 73,602 | 185,929 | - | 11,139,776 |
| General and administrative | - | 849,852 | - | - | - | 66,585 | 1,468 | - | 917,905 |
| Fundraising | 538,441 | - | - | - | - | - | - | - | 538,441 |
| Depreciation and amortization | 1,708,415 | 155,005 | 1,469,849 | - | 410,969 | 55,189 | - | - | 3,799,427 |
| Interest and service fees | 487,547 | 44,758 | 5,336,378 | - | 35,672 | 5,696 | - | (302,573) | 5,607,478 |
| Total supporting services | 3,565,764 | 10,103,183 | 7,319,611 | 22,889 | 905,684 | 201,072 | 187,397 | (302,573) | 22,003,027 |
| Total expenses | 15,597,011 | 41,997,036 | 14,786,817 | 308,432 | 5,048,689 | 201,072 | 187,397 | (2,106,534) | 76,019,920 |
| Change in net assets before other non-recurring items | 9,408,323 | (8,232,038) | 1,800,004 | (689) | (829,147) | (39,661) | (19,083) | - | 2,087,709 |
| Other non-recurring item: | | | | | | | | | |
| Reclass of unrestricted net assets | - | 249,796 | - | - | - | - | (249,796) | - | - |
| Changes in net assets | 9,408,323 | (7,982,242) | 1,800,004 | (689) | (829,147) | (39,661) | (268,879) | - | 2,087,709 |
| Net assets (deficit), beginning 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 |
| Net assets (deficit), end of year | $ 120,624,955 | $ (84,734,135) | $ 75,488,600 | $ (23,310) | $ (6,733,548) | $ 10,804,712 | $ 7,270,148 | $ - | $ 122,697,422 |

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

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

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION INFORMATION - HOUSING ENTITIES**

**As of December 31, 2020**

| ASSETS | 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 L.P. | Edwin's Place L.P. | BG Betances L.P. | Housing Entities Eliminations | Total Housing Entities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | | | | | | | | | | | | | |
| Cash | $ 94,194 | $ 122,243 | $ 329,619 | $ 411,166 | $ 84,466 | $ 391,383 | $ 774,738 | $ 68,934 | $ 28,746 | $ 675,314 | $ 692,379 | $ 513,982 | $ 799,214 | $ - | $ - | $ - | $ 4,986,378 |
| Lender restricted cash | - | - | - | - | - | - | - | - | - | - | - | - | - | 336,153 | 34,792 | - | 370,945 |
| Contractual reserves | - | - | - | - | - | 143,871 | - | - | - | 399,430 | 499,217 | 367,195 | 21,478 | - | - | - | 1,431,191 |
| Accounts receivable, net | 160,725 | 331,523 | 354,508 | 249,338 | 46,230 | 31,908 | 205,339 | 1,038 | 21,580 | 56,827 | 708,653 | 176,842 | 207,598 | 184,241 | - | - | 2,736,350 |
| Advances due from affiliates | 5,523 | 1,327,416 | 583,940 | 967,698 | - | - | - | 38 | - | - | - | 470,700 | 979 | - | - | (470,700) | 2,885,594 |
| Other assets, net | 145,346 | 12,101 | 17,576 | 14,657 | 22,574 | 6,391 | 9,477 | - | 20,405 | 11,492 | 276,161 | 74,526 | 90,836 | 321 | - | - | 701,863 |
| Total current assets | 405,788 | 1,793,283 | 1,285,643 | 1,642,859 | 153,270 | 573,553 | 989,554 | 70,010 | 70,731 | 1,143,063 | 2,176,410 | 1,603,245 | 1,120,105 | 520,715 | 34,792 | (470,700) | 13,112,321 |
| NONCURRENT ASSETS | | | | | | | | | | | | | | | | | |
| Contractual reserves | 1,293,452 | 428,048 | 376,603 | 339,457 | 1,503,779 | 1,268,448 | 309,519 | 586,503 | 833,766 | 1,763,228 | 627,744 | 651,513 | 919,040 | - | - | - | 10,901,100 |
| Tenant security deposits | 43,322 | 83,786 | 69,467 | 48,647 | 12,904 | 55,257 | 34,434 | 35,791 | 29,900 | 28,015 | 153,927 | 42,811 | 33,250 | - | - | - | 671,511 |
| Other assets, net | 15,090 | - | 27,643 | 18,512 | 28,206 | 107,083 | - | 17,919 | 35,429 | 9,030 | 124,707 | 39,075 | 31,180 | 37,705 | - | - | 491,579 |
| Property and equipment, net | 18,379,450 | 41,287,156 | 44,088,766 | 27,908,062 | 18,749,251 | 15,496,395 | 32,179,049 | 10,204,582 | 11,510,781 | 43,253,384 | 77,525,917 | 56,934,928 | 61,233,442 | 72,037,247 | 72,159,407 | - | 602,947,817 |
| Total noncurrent assets | 19,731,314 | 41,798,990 | 44,562,479 | 28,314,678 | 20,294,140 | 16,927,183 | 32,523,002 | 10,844,795 | 12,409,876 | 45,053,657 | 78,432,295 | 57,668,327 | 62,216,912 | 72,074,952 | 72,159,407 | - | 615,012,007 |
| Total assets | $ 20,137,102 | $ 43,592,273 | $ 45,848,122 | $ 29,957,537 | $ 20,447,410 | $ 17,500,736 | $ 33,512,556 | $ 10,914,805 | $ 12,480,607 | $ 46,196,720 | $ 80,608,705 | $ 59,271,572 | $ 63,337,017 | $ 72,595,667 | $ 72,194,199 | $ (470,700) | $ 628,124,328 |
| LIABILITIES AND PARTNERS'/MEMBERS' EQUITY (DEFICIT) | | | | | | | | | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 235,467 | $ 692,106 | $ 304,061 | $ 234,408 | $ 86,677 | $ 90,084 | $ 266,561 | $ 58,229 | $ 143,068 | $ 274,346 | $ 344,634 | $ 294,977 | $ 290,405 | $ 119,616 | $ - | $ - | $ 3,434,639 |
| Construction payable | 4,914 | - | - | - | - | - | - | - | - | 25,000 | 161,278 | - | - | 869,090 | 5,729,646 | - | 6,789,928 |
| Accrued interest payable - mortgages and notes | - | - | - | - | - | 15,682 | - | - | - | - | - | - | - | - | - | - | 15,682 |
| Advances due to affiliates | 573,771 | 1,843,592 | 1,026 | - | 2,960,930 | 3,124,746 | 33,839 | 412,975 | - | 1,069,278 | 719,332 | 589,472 | 6,674 | 207,170 | 13,763 | (470,700) | 11,085,868 |
| Deferred revenue | - | - | - | - | - | - | - | - | - | - | 257,459 | 274,404 | - | - | - | - | 531,863 |
| Development fee payable | - | - | - | - | - | - | - | - | - | - | - | - | 2,559,227 | 3,191,108 | - | - | 5,750,335 |
| Mortgages and notes payable | - | - | - | - | - | 44,026 | - | - | - | 118,659 | 165,989 | 283,610 | 133,645 | 132,308 | - | - | 878,237 |
| Total current liabilities | 814,152 | 2,535,698 | 305,087 | 234,408 | 3,047,607 | 3,274,538 | 300,400 | 471,204 | 143,068 | 1,487,283 | 1,648,692 | 1,442,463 | 2,989,951 | 4,519,292 | 5,743,409 | (470,700) | 28,486,552 |
| NONCURRENT LIABILITIES | | | | | | | | | | | | | | | | | |
| Security deposits | 43,322 | 83,839 | 70,523 | 48,647 | 12,904 | 55,726 | 35,034 | 34,706 | 29,900 | 28,015 | 153,927 | 42,811 | 34,623 | - | - | - | 673,977 |
| Other liabilities | - | 80,000 | - | 580,000 | - | 120,000 | - | 45,796 | - | - | - | - | - | - | - | - | 825,796 |
| Accrued interest payable - mortgages and notes | 1,175,265 | 2,926,671 | 3,111,474 | 2,227,806 | 204,371 | 329,853 | 1,949,685 | - | 302,758 | 2,069,118 | 176,584 | 441,420 | 776,935 | 461,505 | 376,501 | - | 16,529,946 |
| Development fees payable | - | 2,807,669 | 3,949,948 | 1,796,897 | 593,149 | - | - | - | - | 1,385,962 | 2,062,000 | 2,052,675 | 1,644,815 | 4,308,892 | 12,050,000 | - | 32,652,007 |
| Affiliate notes and interest payable | 1,000,000 | 708,840 | 2,934,526 | 1,537,500 | 16,213,618 | 699,754 | 4,950,664 | 1,177,674 | 1,456,705 | 2,098,641 | 3,944,080 | 205,200 | 398,148 | 1,137,000 | 1,509,187 | - | 39,971,537 |
| Mortgages and notes payable, net | 21,979,367 | 26,270,059 | 30,872,460 | 21,009,669 | 2,499,741 | 11,821,936 | 24,049,962 | 9,040,515 | 4,654,426 | 25,487,703 | 44,649,620 | 35,026,702 | 36,751,319 | 61,514,324 | 50,423,861 | - | 406,051,664 |
| Total noncurrent liabilities | 24,197,954 | 32,877,078 | 40,938,931 | 27,200,519 | 19,523,783 | 13,027,269 | 30,985,345 | 10,298,691 | 6,443,789 | 31,069,439 | 50,986,211 | 37,768,808 | 39,605,840 | 67,421,721 | 64,359,549 | - | 496,704,927 |
| Total liabilities | 25,012,106 | 35,412,776 | 41,244,018 | 27,434,927 | 22,571,390 | 16,301,807 | 31,285,745 | 10,769,895 | 6,586,857 | 32,556,722 | 52,634,903 | 39,211,271 | 42,595,791 | 71,941,013 | 70,102,958 | (470,700) | 525,191,479 |
| Partners'/members' equity (deficit) | | | | | | | | | | | | | | | | | |
| Controlling interest | (1,099) | (2,023) | (1,705) | (1,445) | (352) | 1,274,121 | (1,063) | (385) | 1,708,539 | (522) | (891) | (580) | (362) | (163) | - | - | 2,972,070 |
| Noncontrolling interest | (4,873,905) | 8,181,520 | 4,605,809 | 2,524,055 | (2,123,628) | (75,192) | 2,227,874 | 145,295 | 4,185,211 | 13,640,520 | 27,974,693 | 20,060,881 | 20,741,588 | 654,817 | 2,091,241 | - | 99,960,779 |
| Total partners'/members' equity (deficit) | (4,875,004) | 8,179,497 | 4,604,104 | 2,522,610 | (2,123,980) | 1,198,929 | 2,226,811 | 144,910 | 5,893,750 | 13,639,998 | 27,973,802 | 20,060,301 | 20,741,226 | 654,654 | 2,091,241 | - | 102,932,849 |
| Total liabilities and partners'/members' equity | $ 20,137,102 | $ 43,592,273 | $ 45,848,122 | $ 29,957,537 | $ 20,447,410 | $ 17,500,736 | $ 33,512,556 | $ 10,914,805 | $ 12,480,607 | $ 46,196,720 | $ 80,608,705 | $ 59,271,572 | $ 63,337,017 | $ 72,595,667 | $ 72,194,199 | $ (470,700) | $ 628,124,328 |

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

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

**CONSOLIDATING SCHEDULE OF ACTIVITIES INFORMATION - HOUSING ENTITIES**

**For the Year Ended December 31, 2020**

| | 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 L.P. | Edwin's Place L.P. | Housing Entities Eliminations | Total Housing Entities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| REVENUES AND SUPPORT | | | | | | | | | | | | | | | | |
| Rental income | $ 2,290,803 | $ 2,395,220 | $ 2,689,329 | $ 2,255,099 | $ 1,131,055 | $ 983,359 | $ 1,869,004 | $ 477,943 | $ 582,188 | $ 2,279,294 | $ 3,015,403 | $ 2,432,121 | $ 2,563,098 | $ 47,241 | $ - | $ 25,011,157 |
| Other income | 107,178 | 124,554 | 87,077 | 46,121 | 183,173 | 60,114 | 69,288 | 7,998 | 36,185 | 10,119 | 448,017 | 753,070 | 576,453 | - | - | 2,509,347 |
| Total revenues and support | 2,397,981 | 2,519,774 | 2,776,406 | 2,301,220 | 1,314,228 | 1,043,473 | 1,938,292 | 485,941 | 618,373 | 2,289,413 | 3,463,420 | 3,185,191 | 3,139,551 | 47,241 | - | 27,520,504 |
| EXPENSES | | | | | | | | | | | | | | | | |
| Program services: | | | | | | | | | | | | | | | | |
| Permanent housing operations | 2,258,492 | 2,534,708 | 2,720,686 | 2,247,694 | 1,191,154 | 879,778 | 2,035,619 | 568,897 | 547,959 | 1,654,315 | 2,183,808 | 1,879,847 | 1,468,393 | 487,085 | - | 22,658,435 |
| Total program services | 2,258,492 | 2,534,708 | 2,720,686 | 2,247,694 | 1,191,154 | 879,778 | 2,035,619 | 568,897 | 547,959 | 1,654,315 | 2,183,808 | 1,879,847 | 1,468,393 | 487,085 | - | 22,658,435 |
| Supporting services: | | | | | | | | | | | | | | | | |
| Depreciation and amortization | 637,877 | 1,462,427 | 1,293,575 | 1,009,907 | 796,856 | 569,697 | 918,416 | 367,229 | 403,334 | 1,220,899 | 2,040,282 | 1,508,412 | 827,392 | 468,073 | - | 13,524,376 |
| Interest and service fees | 91,713 | 274,795 | 417,998 | 231,627 | 551,780 | 223,058 | 286,923 | 12,887 | 53,652 | 560,630 | 1,050,619 | 1,002,877 | 1,653,544 | 719,033 | - | 7,131,136 |
| Total supporting services | 729,590 | 1,737,222 | 1,711,573 | 1,241,534 | 1,348,636 | 792,755 | 1,205,339 | 380,116 | 456,986 | 1,781,529 | 3,090,901 | 2,511,289 | 2,480,936 | 1,187,106 | - | 20,655,512 |
| Total expenses | 2,988,082 | 4,271,930 | 4,432,259 | 3,489,228 | 2,539,790 | 1,672,533 | 3,240,958 | 949,013 | 1,004,945 | 3,435,844 | 5,274,709 | 4,391,136 | 3,949,329 | 1,674,191 | - | 43,313,947 |
| Net (loss) income | $ (590,101) | $ (1,752,156) | $ (1,655,853) | $ (1,188,008) | $ (1,225,562) | $ (629,060) | $ (1,302,666) | $ (463,072) | $ (386,572) | $ (1,146,431) | $ (1,811,289) | $ (1,205,945) | $ (809,778) | $ (1,626,950) | $ - | $ (15,793,443) |

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