

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

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

December 31, 2022 and 2021

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GRANT THORNTON LLP

445 Broad Hollow Road, Suite 300
Melville, NY 11747-3601

D +1 631 249 6001

F +1 631 249 6144

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

We have audited the 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, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Breaking Ground as of December 31, 2022 and 2021, 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.

We did not audit the financial statements of BG Betances L.P., 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 \$600,639,164, or 58% and \$616,103,651, or 64% of consolidated total assets as of December 31, 2022 and 2021, respectively, and total revenues of \$29,057,732, or 24% and \$27,635,371, or 27% of consolidated total revenues for the years then ended December 31, 2022 and 2021, respectively. 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 reports the of the other auditors.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Breaking Ground and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Breaking Ground's ability to continue as a going concern for a period of one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Breaking Ground's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 - Not-for-Profit Entities, Consolidating Schedule of Activities - Not-for-Profit Entities, Consolidating Schedule of Financial Position - Housing Entities and Consolidating Schedule of Activities - Housing Entities as of and for the year ended December 31, 2022, 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 27, 2023

Breaking Ground Housing Development Fund Corporation and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021, with Consolidating Information as of December 31, 2022

	2022			2021	
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated Total	Consolidated Total
ASSETS					
Current assets					
Cash	\$ 13,933,235	\$ 6,483,339	\$ -	\$ 20,416,574	\$ 25,948,472
Lender restricted cash	1,833,317	6,265	-	1,839,582	2,248,105
Contractual reserves	-	3,069,835	-	3,069,835	1,764,814
Accounts receivable, net	39,443,970	3,016,275	(1,361,050)	41,099,195	22,083,569
Advances due from affiliates	9,740,610	2,838,389	(12,578,999)	-	-
Development fees receivable	4,025,592	-	-	4,025,592	7,288,294
Other assets, net	1,595,439	595,807	-	2,191,246	1,742,652
Right-of-use assets	5,693,077	10,101	-	5,703,178	-
	76,265,240	16,020,011	(13,940,049)	78,345,202	61,075,906
Total current assets					
Noncurrent assets					
Contractual reserves	25,145,905	11,377,357	-	36,523,262	34,868,771
Accounts receivable, net	15,046,267	-	(990,000)	14,056,267	13,319,136
Tenant security deposits	624,487	675,105	-	1,299,592	1,315,554
Development fees receivable	30,179,800	-	(27,179,900)	2,999,900	2,710,570
Affiliate notes and interest receivable	43,936,003	-	(43,936,003)	-	-
Investment in Housing Entities	903,447	-	(903,447)	-	-
Other assets, net	907,090	548,333	-	1,455,423	1,487,432
Right-of-use assets	15,047,189	951,816	-	15,999,005	-
Property and equipment, net	339,285,834	571,066,542	(23,160,130)	887,192,246	892,037,717
	471,076,022	584,619,153	(96,169,480)	959,525,695	945,739,180
Total noncurrent assets					
Total assets	\$ 547,341,262	\$ 600,639,164	\$ (110,109,529)	\$ 1,037,870,897	\$ 1,006,815,086

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

Breaking Ground Housing Development Fund Corporation and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

December 31, 2022 and 2021, with Consolidating Information as of December 31, 2022

	2022			2021	
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated Total	Consolidated Total
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 17,403,553	\$ 4,802,480	\$ (1,750,635)	\$ 20,455,398	\$ 17,263,838
Construction payable	3,830,906	2,858,960	-	6,689,866	5,958,347
Accrued interest payable - mortgages and notes	9,747	15,384	-	25,131	15,537
Advances due to affiliates	2,838,389	9,740,610	(12,578,999)	-	-
Deferred revenue	12,655,953	522,654	-	13,178,607	10,796,507
Project grant advances	176,471	-	-	176,471	176,471
Lease obligations	5,791,916	-	-	5,791,916	-
Development fees payable	-	4,308,594	-	4,308,594	8,245,626
Mortgages and notes payable	8,029,028	1,020,107	-	9,049,135	6,880,652
Total current liabilities	<u>50,735,963</u>	<u>23,268,789</u>	<u>(14,329,634)</u>	<u>59,675,118</u>	<u>49,336,978</u>
Noncurrent liabilities					
Security deposits	840,812	699,210	-	1,540,022	1,503,237
Other liabilities	1,089,553	989,039	(990,000)	1,088,592	1,189,624
Accrued interest payable - mortgages and notes	30,024,820	20,314,827	-	50,339,647	42,256,104
Deferred revenue	6,206,133	-	(5,481,133)	725,000	1,186,631
Project grant advances	14,201,296	-	-	14,201,296	12,377,766
Lease obligations	15,491,146	-	-	15,491,146	-
Development fees payable	4,000,000	28,882,989	(27,179,900)	5,703,089	5,267,003
Affiliate notes and interest payable	-	43,936,003	(43,936,003)	-	-
Mortgages and notes payable, net	317,575,024	383,422,515	-	700,997,539	683,383,856
Total noncurrent liabilities	<u>389,428,784</u>	<u>478,244,583</u>	<u>(77,587,036)</u>	<u>790,086,331</u>	<u>747,164,221</u>
Total liabilities	<u>440,164,747</u>	<u>501,513,372</u>	<u>(91,916,670)</u>	<u>849,761,449</u>	<u>796,501,199</u>
Commitments and contingencies					
Net assets					
Without donor restrictions					
Controlling interest	85,029,638	3,175,194	(17,392,859)	70,811,973	75,164,127
Non-controlling interest	-	95,950,598	(800,000)	95,150,598	115,461,178
With donor restrictions	22,146,877	-	-	22,146,877	19,688,582
Total net assets	<u>107,176,515</u>	<u>99,125,792</u>	<u>(18,192,859)</u>	<u>188,109,448</u>	<u>210,313,887</u>
Total liabilities and net assets	<u>\$ 547,341,262</u>	<u>\$ 600,639,164</u>	<u>\$ (110,109,529)</u>	<u>\$ 1,037,870,897</u>	<u>\$ 1,006,815,086</u>

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

Breaking Ground Housing Development Fund Corporation and Affiliates

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2022 and 2021, with Consolidating Information as of December 31, 2022

	2022			2021	
	Not-for-Profit Entities	Housing Entities	Eliminations	Consolidated Total	Consolidated Total
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Revenues and support without donor restrictions:					
Contributions	\$ 4,064,428	\$ -	\$ -	\$ 4,064,428	\$ 3,821,547
Government grants and contracts	58,551,258	-	-	58,551,258	45,888,518
Management and partnership fees	2,391,588	-	(1,879,199)	512,389	465,326
Development fees	45,810	-	(45,810)	-	2,930,500
Rental income	16,895,354	27,161,789	(2,309,769)	41,747,374	38,007,041
Other income	4,478,590	1,895,943	(1,183,628)	5,190,905	6,028,719
Net assets released from restrictions	9,052,621	-	-	9,052,621	3,592,337
Total revenues and support	95,479,649	29,057,732	(5,418,406)	119,118,975	100,733,988
Expenses:					
Social services	55,861,017	-	(139,175)	55,721,842	46,652,507
Housing management and development	6,519,260	-	-	6,519,260	4,188,914
Permanent housing operations	15,973,904	25,107,383	(3,889,971)	37,191,316	30,913,964
Supportive services	11,333,801	-	(337,745)	10,996,056	11,100,566
General and administrative	1,303,977	-	-	1,303,977	887,426
Fundraising	1,091,421	-	-	1,091,421	783,736
Depreciation and amortization	4,434,044	17,304,549	(601,326)	21,137,267	19,225,521
Interest and service fees	6,041,793	9,784,753	(705,212)	15,121,334	12,248,815
Total expenses	102,559,217	52,196,685	(5,673,429)	149,082,473	126,001,449
Change in net assets before other non-recurring item	(7,079,568)	(23,138,953)	255,023	(29,963,498)	(25,267,461)
Other non-recurring item:					
Gain on forgiveness of loans and interest	4,217,052	-	-	4,217,052	1,318,698
(Decrease) increase in net assets without donor restrictions	(2,862,516)	(23,138,953)	255,023	(25,746,446)	(23,948,763)
NET ASSETS WITH DONOR RESTRICTIONS					
Revenues and support with donor restrictions:					
Contributions	11,510,916	-	-	11,510,916	6,814,475
Net assets released from restrictions	(9,052,621)	-	-	(9,052,621)	(3,592,337)
Increase in net assets with donor restrictions	2,458,295	-	-	2,458,295	3,222,138
Change in net assets	(404,221)	(23,138,953)	255,023	(23,288,151)	(20,726,625)
Excess of expenses over revenues and support attributable to noncontrolling interests	-	23,136,656	-	23,136,656	17,115,062
(Deficiency) excess of revenues and support over expenses attributable to Breaking Ground	\$ (404,221)	\$ (2,297)	\$ 255,023	\$ (151,495)	\$ (3,611,563)

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

Years Ended December 31, 2022 and 2021

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Consolidated Total
	Controlling	Noncontrolling	Total		
Beginning balance, January 1, 2021	\$ 86,871,733	\$ 99,960,779	\$ 186,832,512	\$ 16,466,444	\$ 203,298,956
Contributions from investors	-	28,541,556	28,541,556	-	28,541,556
Distribution to investor	-	(800,000)	(800,000)	-	(800,000)
Transfer of ownership of Chelsea Residence Limited Partnership to BG III	(4,873,905)	4,873,905	-	-	-
Excess of expenses over revenue and support attributable to noncontrolling interests	-	(17,115,062)	(17,115,062)	-	(17,115,062)
(Deficiency) excess of revenues and support over expenses attributable to Breaking Ground	(6,833,701)	-	(6,833,701)	3,222,138	(3,611,563)
Ending balance, December 31, 2021	75,164,127	115,461,178	190,625,305	19,688,582	210,313,887
Contributions from investors	-	2,826,076	2,826,076	-	2,826,076
Change in deferred developer fee	(1,742,364)	-	(1,742,364)	-	(1,742,364)
Excess of expenses over revenue and support attributable to noncontrolling interests	-	(23,136,656)	(23,136,656)	-	(23,136,656)
(Deficiency) excess of revenues and support over expenses attributable to Breaking Ground	(2,609,790)	-	(2,609,790)	2,458,295	(151,495)
Ending balance, December 31, 2022	\$ 70,811,973	\$ 95,150,598	\$ 165,962,571	\$ 22,146,877	\$ 188,109,448

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

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (23,288,151)	\$ (20,726,625)
Change in deferred developer fee	(1,742,364)	-
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	21,137,267	19,225,521
Amortization of debt issuance costs	329,610	255,719
Gain on forgiveness of loans and interest	(4,217,052)	(1,318,698)
Initial recognition of right-of-use assets	(27,322,984)	-
Initial recognition of lease obligations, present value	26,952,574	-
(Increase) decrease in operating assets:		
Accounts receivable, net	(19,752,757)	(2,009,072)
Other assets, net	(467,212)	405,932
Right-of-use-assets	5,620,801	-
Development fees receivable	2,973,372	(208,541)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,191,560	5,428,340
Security deposits	36,785	194,691
Other liabilities	(101,032)	128,276
Accrued interest payable - mortgages and notes	8,167,349	8,114,739
Deferred revenue	1,920,469	(1,270,626)
Project grant advances	1,823,530	(176,471)
Lease obligations, present value	(5,669,512)	-
Development fees payable	<u>(3,500,946)</u>	<u>(819,906)</u>
Net cash (used in) provided by operating activities	<u>(13,908,693)</u>	<u>7,223,279</u>
Cash flows from investing activities:		
Change in contractual reserves	(2,959,512)	(1,160,481)
Payments on construction payable	(11,195,116)	(55,662,124)
Capital expenditures	<u>(4,314,534)</u>	<u>(7,824,995)</u>
Net cash used in investing activities	<u>(18,469,162)</u>	<u>(64,647,600)</u>
Cash flows from financing activities:		
Capital contributions received from investors	2,826,076	28,541,556
Distributions paid to investors	-	(800,000)
Proceeds from loans	32,916,852	62,608,196
Repayments of loans	<u>(9,321,456)</u>	<u>(31,749,744)</u>
Net cash provided by financing activities	<u>26,421,472</u>	<u>58,600,008</u>
Net (decrease) increase in cash	(5,956,383)	1,175,687
Cash and restricted cash, beginning of year	<u>29,512,131</u>	<u>28,336,444</u>
Cash and restricted, end of year	<u>\$ 23,555,748</u>	<u>\$ 29,512,131</u>
Supplemental disclosure of information:		
Cash paid for interest	\$ 682,220	\$ 604,263
Supplemental schedule of non-cash investing and financing activities:		
Construction payable capitalized to rental property	\$ 11,926,635	\$ 54,640,943

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

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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 and contracts 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”), for-profit limited partnerships (“LP”), limited liability corporations (“LLC”), 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:

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.

Transitional Housing

Breaking Ground manages programs that provide safe, shorter-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.

Street Outreach

Breaking Ground is also 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 both supportive and transitional housing. Through compassion, patience and persistence, outreach teams build trust with homeless individuals and help them come indoors.

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 Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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, 90 Sands Housing Development Fund Corporation, and BG Sutphin 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.

On June 30, 2021, the partnership agreement of Chelsea Residence Limited Partnership was further amended to execute an assignment and assumption of membership interest. BG III assumed the 99.99% interest of the former investor limited partner and 0% interest of the former special limited partner. The balance of the former investor limited partner’s capital account at June 30, 2021, was accounted for as an addition to the capital account of the GP.

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. BGM is also the controlling member of Breaking Ground VI LLC (“BG VI”), organized on June 15, 2021, under the New York Limited Liability Company Law for the purpose of engaging in any lawful act or activity for which limited liability companies may be formed under the Act and to engage in any and all activities necessary or incidental thereto.

Nonprofit Transaction Assistance Corporation, (“NTAC”), was formed on May 24, 2021, under the provisions and subject to the requirements of the laws of the State of Delaware (particularly Chapter 1, Title 8 of the Delaware Code, known and referred to as the “General Corporation Law”). NTAC was formed for the charitable purposes of strengthening communities and bolstering the financial and operational condition and capabilities of nonprofit organizations serving those communities and as a result, is exempt from income and excise taxes under Section 501(c)(3) of the IRC.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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
Brook Avenue Housing L.P.	CG-Brook Avenue Housing Corp.
Schermerhorn L.P.	Schermerhorn Housing Corp.
Pitt Street L.P.	Pitt Street Housing Corp.
410 Asylum Street, LLC	Common Ground 410 Asylum LIHTC LLC
410 Asylum Street Historic LLC	Common Ground 410 Asylum HTC LLC
St. Marks Brownsville L.P.	St. Marks Senior Housing Corporation
Common Ground Cedarwoods Housing LLC	Common Ground Cedarwoods Management LLC
Hegeman Avenue Housing L.P.	CG-Hegeman Avenue Housing Corp.
1630 Dewey Avenue LLC	1630 Dewey Avenue Managing Member, Inc.
Boston Road Housing L.P.	CG-Boston Road Housing Corp.
Webster Avenue Affordable LLC	Webster Avenue Affordable Managing Member LLC
Webster Avenue Supportive LLC	CG-Webster Avenue Supportive Housing Corp.
La Central Supportive L.P.	La Central Supportive Housing LLC
Edwin’s Place L.P.	Edwin’s Place Housing LLC
BG Betances L.P.	BG Betances Housing LLC
BG Sutphin Owner 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:

Not-for-Profit Entities - The accompanying consolidated financial statements include the accounts of BG, BG II, BG III, BG IV, CGJTC, BGM (collectively known as the “Not-for-Profit Entities”). All intercompany transactions and accounts between the Not-for-Profit Entities have been eliminated in consolidation.

Housing Entities - LPs or LLCs that are controlled by Breaking Ground and those entities over which Breaking Ground exercises significant influence are included in the accompanying consolidated financial statements. The GP/MM interests held by Breaking Ground entities equal 0.01% of the respective Housing Entities’ equity, with the remainder of the Housing Entities’ equity held by the limited partners/members of the respective Housing Entities. The portion of the Housing Entities not controlled by Breaking Ground is presented in the accompanying consolidated financial statements as noncontrolling interest. All intercompany transactions and accounts between the Housing Entities have been eliminated in consolidation.

All intercompany transactions and accounts between the Not-for-Profit Entities and the Housing Entities have also been eliminated in consolidation.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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The net assets of Breaking Ground and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions - controlling interest - net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Breaking Ground.

Net assets without donor restrictions - noncontrolling interest - represent the aggregate of limited partner/member equity interests in the non-wholly-owned Housing Entities that are included in the accompanying consolidated financial statements.

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

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions, i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

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,

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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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, 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.

As of December 31, 2022, grants and contributions receivable of approximately \$36.6 million were due to be collected within one year, and approximately \$980,000 was due to be collected in 2024. As of December 31, 2021, grants and contributions receivable of approximately \$18.0 million were due to be collected within one year, and approximately \$140,000 was due to be collected in 2023. These amounts are included within accounts receivable, net, in the accompanying consolidated statements of financial position.

As of December 31, 2022 and 2021, Breaking Ground's outstanding conditional contributions totaled approximately \$205 million and \$93 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, 2022 and 2021 totaled \$7,025,492 and \$9,998,864, 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

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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, 2022 and 2021 totaled \$3,927,547 and \$1,981,081, 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:

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

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

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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, 2022 and 2021, as management determined no such impairments existed.

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 IRC. 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.

New Pronouncements

The Organization adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (Topic 842), on January 1, 2022. This standard requires organizations that enter into lease agreements as a lessee, to record on their statement of financial position the rights and obligations of the lease agreement, as a Right-of-Use (“ROU”) lease asset and liability, respectively. In order to adopt this ASU, the Organization elected certain practical expedients permitted under the standard’s transition guidance. The practical expedients eliminate the need to reassess the lease classification of expired or existing leases, the need to assesses

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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whether any expired or existing contracts are or contain leases, the need to separately assess lease and non-lease components, and the need to reassess initial direct costs for any existing leases. The Organization also elected the short-term lease practical expedient, and accordingly, does not record ROU lease assets or lease liabilities with terms less than 12 months.

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Institute determines it does not have the right to control and direct the use of the identified asset.

The Organization analyzes each lease agreement to determine whether it should be classified as a finance lease or an operating lease. ROU assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit interest rate, the Organization uses the estimated risk-free rate that is comparable with the lease term in effect at the commencement date of the respective lease agreement in determining the present value of lease payments. ROU assets and lease liabilities for operating are included in the statements of financial position and presented separately based on the classification of the underlying lease arrangement. Currently, the Organization does not have any finance leases.

The portion of payments on operating lease liabilities related to interest, along with the amortization of the related ROU, is recognized as rent expense. This rent expense is recognized on a straight-line basis over the term of the lease.

Reclassifications

Certain information in the fiscal 2021 consolidated financial statements has been reclassified to conform to the fiscal 2022 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2021 consolidated financial statements.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 3 - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, as of December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Note receivable	\$ 13,179,600	\$ 13,179,600
Government grants and contracts	33,462,527	17,427,851
Housing Entities receivables	3,919,066	3,113,883
Contribution receivables	4,110,783	704,086
Tenant accounts receivables	3,111,596	2,006,048
Other	<u>1,299,437</u>	<u>952,318</u>
Accounts receivable, gross	59,083,009	37,383,786
Less: allowance for doubtful accounts	<u>(3,927,547)</u>	<u>(1,981,081)</u>
Accounts receivable, net	<u>\$ 55,155,462</u>	<u>\$ 35,402,705</u>

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, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 22,691,207	\$ 20,926,306
Certificate of deposit	1,800,000	1,800,000
Treasury bills	<u>16,941,472</u>	<u>16,155,384</u>
Total	<u>\$ 41,432,679</u>	<u>\$ 38,881,690</u>

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Breaking Ground's lender restricted cash and contractual reserves classified within the fair value hierarchy as of December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	
		<u>Total</u>
Cash and cash equivalents		\$ 22,691,207
	<u>Level 2</u>	
Certificate of deposit	\$ 1,800,000	1,800,000
Treasury bills	16,941,472	16,941,472
	<u>\$ 18,741,472</u>	<u>\$ 41,432,679</u>
Total		
	<u>2021</u>	
		<u>Total</u>
Cash and cash equivalents		\$ 20,926,306
	<u>Level 2</u>	
Certificate of deposit	\$ 1,800,000	1,800,000
Treasury bills	16,155,384	16,155,384
	<u>\$ 17,955,384</u>	<u>\$ 38,881,690</u>
Total		

Interest income for the years ended December 31, 2022 and 2021 totaled \$301,998 and \$956,276, respectively, and is recorded as other income within the consolidated statements of activities. Contractual reserve fees for the years ended December 31, 2022 and 2021 totaled \$396,662 and \$388,353, 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:

	<u>2022</u>	<u>2021</u>
Cash	\$ 20,416,574	\$ 25,948,472
Lender restricted cash	1,839,582	2,248,105
Tenant security deposits	1,299,592	1,315,554
	<u>\$ 23,555,748</u>	<u>\$ 29,512,131</u>
Total cash and restricted cash shown in the consolidated statements of cash flows		

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 772,227,438	\$ 684,848,081
Leasehold improvements	4,742,807	4,742,807
Furniture and equipment	22,588,303	22,238,590
Land improvements	10,384,056	10,384,056
	<u>809,942,604</u>	<u>722,213,534</u>
Total depreciable assets		
Less: accumulated depreciation	(216,136,486)	(195,049,846)
	<u>593,806,118</u>	<u>527,163,688</u>
Total depreciable assets net of depreciation		
Land	45,815,062	46,787,079
Construction-in-progress	247,571,066	318,086,950
	<u>\$ 887,192,246</u>	<u>\$ 892,037,717</u>
Total property and equipment, net		

Depreciation and amortization expense totaled \$21,137,267 and \$19,225,521 for the years ended December 31, 2022 and 2021, respectively. Ongoing construction-in-progress projects relating to 90 Sands Housing Development Fund Corporation and BG Sutphin Owner LLC are expected to be completed in 2023 and 2026, 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.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

	<u>2022</u>	<u>2021</u>	<u>Maturity Date</u>
Federal Home Loan Bank for:			
BG - St. Marks Brownsville L.P.	\$ 1,080,000	\$ 1,080,000	11/26/2038
BG - Schermerhorn L.P.	675,000	675,000	12/29/2037
BG - Brook Avenue Housing L.P.	1,500,000	1,500,000	12/20/2039
BG - Hegeman Avenue Housing L.P.	1,650,000	1,650,000	6/9/2043
BG - Chelsea Residence Limited Partnership	1,000,000	1,000,000	1/16/2033
BG II - 1630 Dewey Avenue LLC	299,990	299,990	9/30/2040
BG II - Pitt Street L.P.	1,000,000	1,000,000	12/22/2043
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	1,000,000	4/1/2076
BG II - 90 Sands HDFC	2,000,000	-	11/1/2063
BG IV - Andrews	500,000	500,000	4/17/2024
BG - Neighborhood Stabilization Program	898,824	1,075,294	6/9/2027
BG II - HOME Investment Partnership Program	573,953	573,953	8/31/2040
BG II - HUD Continuum of Care	300,000	300,000	9/30/2040
	<u>\$ 14,377,767</u>	<u>\$ 12,554,237</u>	
Total project grant advances			

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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NOTE 8 - MORTGAGES AND NOTES PAYABLE, NET

The various debt obligations outstanding as presented in the accompanying consolidated statements of financial position as of December 31, 2022 and 2021 consisted of the following:

<u>Entity</u>	<u>Lender</u>	<u>2022</u>	<u>2021</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>
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	1/1/2027	2%
BG	Wells Fargo Community Investment Holdings	600,000	600,000	5/30/2027	2%
BG	Deutsche Bank Foundation PRI Grant	80,000	120,000	11/30/2024	0%
BG	Deutsche Bank Foundation PRI Grant	40,000	-	11/30/2025	0%
BG	Nonprofit Finance Fund	950,000	1,900,000	7/1/2023	0%
BG	J.P. Morgan Chase Bank, N.A.	4,000,000	-	9/30/2023	Greater of prime rate or 2.50%
BG	Mizuho Bank (USA)	2,000,000	-	10/16/2023	LIBOR/Base rate + 1.50%
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	85,305	206,572	8/15/2023	6.49%
BGM	U.S. SBA Paycheck Protection Program (Sterling National Bank)	-	4,326,700	2/8/2022	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	0%
BG II	Corporation for Supportive Housing	1,000,000	808,750	9/20/2024	6%
BG II	NYC Down Payment Assistance Fund, LLC	953,273	15,000	12/10/2023	4%
Prince George Associates, L.P.	NYC Department of Housing Preservation and Development	12,577,336	12,577,336	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.	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	60,369,026	45,988,357	8/30/2063	ST-4.6% / LT-5.075%
90 Sands H.D.F.C.	NYC Housing Development Corporation	5,850,481	5,761,526	8/30/2063	ST-4.6% / LT-5.075%
Chelsea Residence Limited Partnership	NYC Department of Housing Preservation and Development	16,521,309	16,515,631	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	19,540,615	19,530,437	4/29/2038	1%
Pitt Street L.P.	NYC Department of Housing Preservation and Development	24,382,442	24,367,072	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	17,018,778	17,014,224	11/1/2040	1%
Brook Avenue Housing L.P.	NYS Homeless Housing Assistance Corporation	3,500,000	3,500,000	12/20/2039	1%
Brook Avenue Housing L.P.	NYC Department of Housing Preservation and Development - Reso A	500,000	500,000	11/1/2040	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	699,983	698,212	11/26/2050	0%
410 Asylum Street, LLC	State of Connecticut	2,000,000	2,000,000	3/27/2038	1%
410 Asylum Street, LLC	City of Hartford	242,014	253,044	9/1/2042	1%
410 Asylum Street, LLC	Connecticut Housing Finance Authority	3,465,344	3,497,658	2/1/2043	5.25%
410 Asylum Street, LLC	Connecticut Housing Finance Authority	6,073,808	6,073,808	3/1/2041	0%
Hegeman Avenue Housing L.P.	NYC Department of Housing Preservation and Development	17,586,229	17,572,714	12/22/2042	1%

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<u>Entity</u>	<u>Lender</u>	<u>2022</u>	<u>2021</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>
Hegeman Avenue Housing L.P.	NYS Homeless Housing Assistance Corporation	\$ 5,580,554	\$ 5,580,554	12/8/2039	1%
Hegeman Avenue Housing L.P.	New York Housing Finance Agency	910,209	910,209	5/1/2040	1%
Common Ground Cedarwoods Housing LLC	Connecticut Housing Finance Authority	5,615,063	5,612,789	10/1/2060	0%
Common Ground Cedarwoods Housing LLC	State of Connecticut	3,430,000	3,430,000	12/15/2060	0%
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	1,656,620	1,655,523	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	4,629,561	4,625,687	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	0%
Webster Avenue Affordable LLC	NYC Housing Development Corporation	8,837,110	8,942,140	12/1/2048	5.70%
Webster Avenue Affordable LLC	NYC Housing Development Corporation	16,120,000	16,120,000	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	0%
Webster Avenue Supportive LLC	NYS Housing Finance Agency	14,194,740	14,455,411	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	5,900,000	7/1/2049	0%
La Central Supportive L.P.	NYS Housing Finance Agency	6,920,708	7,034,278	2/1/2050	4.5%
La Central Supportive L.P.	NYS Housing Finance Agency	11,518,256	11,518,256	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	10,527,458	10,697,078	2/1/2051	4.85%
Edwin's Place L.P.	NYS Housing Finance Agency	9,410,542	7,729,300	2/1/2051	0.50%
Edwin's Place L.P.	NYC Department of Housing Preservation and Development	10,710,000	10,710,000	4/22/2052	0.25%
Edwin's Place L.P.	NYS Homeless Housing Assistance Corporation	7,000,000	7,000,000	9/22/2050	0%
Betances L.P.	NYC Department of Housing Preservation and Development	12,724,800	12,724,800	ST-34 months after closing/ LT-40 yrs. after conversion	ST-2.72%/ LT-AFR
Betances L.P.	NYC Housing Development Corporation	51,232,948	48,614,323	ST-4/27/2022 / LT-10/31/2062	ST-2.90% / LT-5.58%
Betances L.P.	NYS Homeless Housing Assistance Corporation	2,699,800	2,688,909	40 yrs. after occupancy	0%
Betances L.P.	NYC Housing Development Corporation	8,359,800	8,359,800	10/31/2062	2.72%
Total mortgages and notes payable		<u>\$ 710,046,674</u>	<u>\$ 690,264,508</u>		

Included within mortgages and notes payable are debt issuance costs of \$8,577,005 and \$8,904,815, as of December 31, 2022 and 2021, respectively.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The scheduled future principal payments follow:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 9,049,135
2024	3,610,775
2025	1,538,997
2026	1,779,903
2027	1,463,628
Thereafter	<u>692,604,236</u>
	<u>\$ 710,046,674</u>

All loans made to Breaking Ground for the purpose of acquiring real estate, are secured by the respective properties that they finance. Loans to housing entities for construction or acquisition are secured by the property of the respective entity. Some of the loans made for corporate purposes and for working capital needs are secured by various accounts receivable and deposit accounts and are subject to certain restrictive covenants. As of December 31, 2022 and 2021, Breaking Ground was in compliance with all financial and operating covenants.

Interest and service fees totaling \$15,121,334 and \$12,248,815 were expensed for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 - PPP LOANS

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 (the "SBA") 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 6, 2020, originally matured on May 6, 2022 and bore interest at a rate of 1% per annum.

BGM applied for forgiveness of this loan and received notification that \$4,142,840 and \$74,212 of principal and accrued interest, respectively, had been forgiven by the SBA during February 2022.

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.

BG and BG II applied for forgiveness of these loans and received notification that the full principal amounts as well as \$10,293 and \$5,326 of accrued interest, respectively, had been forgiven by the SBA during September 2021.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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, 2022 and 2021 was derived from the following federal, New York City and New York State government agencies:

	<u>2022</u>	<u>2021</u>
NYC Department of Homeless Services	\$ 48,592,338	\$ 36,839,690
NYC Department of Health and Mental Hygiene	5,220,070	4,344,422
NYC HIV/AIDS Service Administration	2,804,938	2,989,186
NYS Office of Mental Health	1,287,909	1,225,704
Empire State Supportive Housing Initiative	404,196	412,116
NYS Office of Temporary and Disability Assistance	241,807	77,400
	<u>\$ 58,551,258</u>	<u>\$ 45,888,518</u>

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 \$533,478 and \$499,894 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, the liability relating to this plan totaled \$450,892 and \$491,411, 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.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Leases

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 \$1,107,490 and \$1,351,958 for the years ended December 31, 2022 and 2021, respectively. Estimated future minimum receipts due under the terms of the leases follow:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 840,855
2024	824,196
2025	741,834
2026	349,712
2027	92,745
Thereafter	<u>511,770</u>
	<u>\$ 3,361,112</u>

Guarantees

Breaking Ground, through its affiliates, is the GP/MM and sponsor of the Housing Entities and has guaranteed the obligations of its general partnership entities to the respective limited partners/members, and where applicable, government agencies, for tax credit compliance, operating deficits and construction completion for buildings under development. Generally, deficits that are funded under these guarantees are repaid from future operating cash flows of the LPs or LLCs. These obligations of Breaking Ground to the respective entities are limited by both time and amounts as detailed in each partnership/operating agreement. As of December 31, 2022 and 2021, there were no outstanding unfunded guarantees.

Management Fee Guarantees

Property management fees are based on certain percentages of the monthly rents collected by the various projects, as defined in the respective Management Agreements. The Housing Entities are obligated under these various agreements with property management companies expiring on various dates, in connection with the management of the rental operations of the projects. As of December 31, 2022 and 2021, there were no outstanding unfunded guarantees.

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.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The Fund was in safe status (green zone) for the plan years ended December 31, 2022 and 2021 because it was 79% and 79%, 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, 2022 and 2021, Breaking Ground contributed \$150,092 and \$124,239, respectively, to the Fund, which is less than 5% of the plan's contributions.

Other Contingencies

Breaking Ground is subject to litigation and claims with respect to matters arising in the normal course of business. All claims have been forwarded to counsel for disposition. In the opinion of management, the ultimate outcomes from these claims will not materially affect the consolidated financial statements of Breaking Ground. Nevertheless, due to uncertainty of the settlement process, management's view of the outcome may be modified in the future.

Breaking Ground receives funding from government grants, which are subject to audit by various governmental agencies. The ultimate determination of amounts received under these grants generally is based upon allowable costs reported to and subject to audit by the governments or their designees. Breaking Ground establishes a general provision for government contracts based on past experiences and current year contract assessments. In the opinion of management, exposure, if any, will not materially affect the consolidated financial statements of Breaking Ground.

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 13 - LEASES

Breaking Ground assesses contracts at inception to determine whether an arrangement includes a lease, which conveys the Organization's right to control the use of an identified asset for a period of time in exchange for consideration. The Organization leases office space and equipment under non-cancelable lease agreements, for which right-of-use assets and lease obligations are recorded in the accompanying fiscal year 2022 statement of financial position. These leases expire on various dates through fiscal 2037 and are subject to escalation for real estate tax increases and other building operating expenses. The Organization measures its lease assets and liabilities using the risk-free rate of return selected based on the lease term. The Organization considered the likelihood of exercising renewal or termination options in measuring the right-of-use assets and lease obligations and has included renewal periods in its assessment of lease terms when provided for in the lease. The Organization's lease payments are based on fixed payments, contain no variable or short-term leases, and contain no termination options or residual value guarantees.

Supplemental statement of financial position information related to operating leases at December 31, 2022:

Right-of-use assets	\$ 27,322,984
Accumulated amortization	<u>(5,620,801)</u>
	<u>\$ 21,702,183</u>
Weighted-average remaining lease term:	4.1 years
Weighted-average discount rate:	6.0%
<u>Fiscal Year December 31:</u>	
2023	\$ 9,151,117
2024	7,612,496
2025	5,889,903
2026	2,785,789
2027	226,870
Thereafter	<u>1,745,036</u>
Total lease obligations, present value, gross	27,411,211
Less: Discount factor at 6.0%	<u>(6,128,149)</u>
Total lease obligations, present value, net	<u>\$ 21,283,062</u>

Rent expense (including escalation costs) amounted to \$9,309,139 and \$5,073,521 for the years ended December 31, 2022 and 2021, respectively. During the current year, there were no new lease agreements.

The components of lease cost for the year ended December 31, 2022 are as follows:

Operating lease cost	\$ 9,319,240
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Supplemental cash flow information related to leases for the year ended December 31, 2022 is as follows:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 9,354,048

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 14 - 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 patient capital 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, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 20,416,574	\$ 25,948,472
Accounts receivable	41,099,195	22,083,569
Development fees receivable	<u>4,025,592</u>	<u>7,288,294</u>
Total available resources	<u>65,541,361</u>	<u>55,320,335</u>
Less:		
Net assets with donor restrictions:		
Development purpose	(5,990,000)	(10,238,367)
Program purpose	<u>(5,699,609)</u>	<u>(1,224,403)</u>
Total financial assets available for general expenditures	<u>\$ 53,851,752</u>	<u>\$ 43,857,565</u>

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 15 - 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, 2022 and summarized 2021 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 Operations	Permanent Housing Operations	Eliminations	2022	2021
Salaries	\$ 19,124,380	\$ 3,251,320	\$ 4,834,781	\$ 27,210,481	\$ 6,780,386	\$ 556,248	\$ 428,854	\$ 7,765,488	\$ 34,975,969	\$ 4,007,672	\$ (45,539)	\$ 38,938,102	\$ 32,204,700
Fringe benefits	4,285,487	1,006,717	1,120,753	6,412,957	519,932	130,226	79,097	729,255	7,142,212	915,656	(350)	8,057,518	9,182,193
Total personnel	23,409,867	4,258,037	5,955,534	33,623,438	7,300,318	686,474	507,951	8,494,743	42,118,181	4,923,328	(45,889)	46,995,620	41,386,893
Professional and management fees	5,064,209	923	376,939	5,442,071	884,637	164,482	-	1,049,119	6,491,190	3,139,340	(2,097,145)	7,533,385	6,989,399
Rent expense	8,015,190	351,295	150,430	8,516,915	1,275,091	-	75,000	1,350,091	9,867,006	299,247	(315,163)	9,851,090	5,508,916
Utilities	1,451,236	-	2,441,691	3,892,927	74,865	-	-	74,865	3,967,792	4,139,049	(401,135)	7,705,706	6,583,727
Security	4,652,483	-	773,281	5,425,764	-	90,889	-	90,889	5,516,653	3,672,194	(1,371,766)	7,817,081	6,916,877
Repairs and maintenance	2,804,579	914	2,544,588	5,350,081	144,107	35,203	-	179,310	5,529,391	3,485,724	(165,036)	8,850,079	6,403,163
Events and other fundraising	-	-	-	-	-	76,013	457,749	533,762	533,762	-	-	533,762	347,452
Insurance	936,119	36,924	1,016,901	1,989,944	73,090	35,679	-	108,769	2,098,713	1,818,605	(214,755)	3,702,563	3,113,157
Client expense	7,057,167	13,399	396,388	7,466,954	-	-	-	-	7,466,954	-	322,776	7,789,730	9,639,557
Office expense	1,304,179	138,519	510,074	1,952,772	460,480	44,763	4,046	509,289	2,462,061	993,214	(38,778)	3,416,497	2,343,284
Staff expense	500,612	139,205	22,652	662,469	366,298	6,570	1,269	374,137	1,036,606	40,997	-	1,077,603	607,988
Fees and other expense	621,417	1,580,044	261,426	2,462,887	488,550	163,904	6,740	659,194	3,122,081	1,266,880	(40,000)	4,348,961	2,823,381
Bad debt	43,959	-	1,524,000	1,567,959	266,365	-	38,666	305,031	1,872,990	1,328,805	-	3,201,795	1,863,319
Total expenses before depreciation and amortization	55,861,017	6,519,260	15,973,904	78,354,181	11,333,801	1,303,977	1,091,421	13,729,199	92,083,380	25,107,383	(4,366,891)	112,823,872	94,527,113
Depreciation and amortization	2,877	-	3,842,517	3,845,394	588,650	-	-	588,650	4,434,044	17,304,549	(601,326)	21,137,267	19,225,521
Interest and service fees	-	-	5,727,944	5,727,944	313,849	-	-	313,849	6,041,793	9,784,753	(705,212)	15,121,334	12,248,815
Total expenses	\$ 55,863,894	\$ 6,519,260	\$ 25,544,365	\$ 87,927,519	\$ 12,236,300	\$ 1,303,977	\$ 1,091,421	\$ 14,631,698	\$ 102,559,217	\$ 52,196,685	\$ (5,673,429)	\$ 149,082,473	\$ 126,001,449

Breaking Ground Housing Development Fund Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 16 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Housing Operations and Tenant Services	\$ 3,643,000	\$ 1,592,628
Street to Home Outreach	1,180,055	153,560
Housing Development	5,637,117	9,588,367
NYC Partnership Foundation	2,600,079	-
HUD Capital Advance	7,336,026	7,604,027
Development Reserve	750,000	750,000
Time-restricted	1,000,000	-
	<u>\$ 22,146,877</u>	<u>\$ 19,688,582</u>

NOTE 17 - NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2022 and 2021, net assets with donor restrictions that were released from restrictions in satisfaction of donor time or purpose restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Housing Operations and Tenant & Program Services	\$ 1,414,229	\$ 999,861
Street to Home Outreach	394,005	394,574
Housing Development	5,380,650	2,207,688
NYC Partnership Foundation	1,345,736	-
HUD Capital Advance	268,001	(9,786)
Time-restricted	250,000	-
	<u>\$ 9,052,621</u>	<u>\$ 3,592,337</u>

NOTE 18 - SUBSEQUENT EVENTS

Breaking Ground evaluated its December 31, 2022, consolidated financial statements for subsequent events through June 27, 2023, the date the consolidated financial statements were available to be issued and determined that the following event was pertinent:

On March 30, 2023, BG Sutphin Owner LLC closed on construction loan financing.

SUPPLEMENTARY INFORMATION

Breaking Ground Housing Development Fund Corporation and Affiliates
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION - NOT-FOR-PROFIT ENTITIES
As of December 31, 2022

Breaking Ground Housing Development Fund Corporation and Affiliates
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION - NOT-FOR-PROFIT ENTITIES
As of December 31, 2022

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	\$ 2,429,130	\$ 7,421,764	\$ 2,820,434	\$ 118,725	\$ 14,618	\$ 664,884	\$ 463,680	\$ -	\$ 13,933,235
Lender restricted cash	1,832,427	-	-	-	890	-	-	-	1,833,317
Accounts receivable, net	5,536,252	30,347,832	1,968,513	346,976	2,290,319	310,325	103,766	(1,460,013)	39,443,970
Advances due from affiliates	189,429,091	21,752,963	52,862,375	5,604	949,768	8,892,356	451,163	(264,602,710)	9,740,610
Development fee receivable	-	-	4,025,592	-	-	-	-	-	4,025,592
Other assets, net	287,442	915,843	332,404	57,044	809	1,897	-	-	1,595,439
Right-of-use assets	26,802	5,647,163	-	-	-	-	19,112	-	5,693,077
Total current assets	199,541,144	66,085,565	62,009,318	528,349	3,256,404	9,869,462	1,037,721	(266,062,723)	76,265,240
Noncurrent assets									
Contractual reserves	8,177,748	-	14,888,559	1,518,181	962	560,455	-	-	25,145,905
Accounts receivable, net	14,156,267	541,192	-	-	-	-	890,000	(541,192)	15,046,267
Tenant security deposits	154,723	54,647	297,909	39,567	-	77,641	-	-	624,487
Development fees receivable	3,400,818	-	26,778,982	-	-	-	-	-	30,179,800
Affiliate notes and interest receivable	38,788,409	9,536,097	22,465,681	-	-	1,979,694	31,529	(28,865,407)	43,936,003
Investment in housing entities	(5,714)	-	(1,943,148)	783,998	-	-	2,068,311	-	903,447
Other assets, net	112,760	750,677	31,860	-	-	11,793	-	-	907,090
Right-of-use assets	376,940	14,314,161	-	-	-	-	356,088	-	15,047,189
Property and equipment, net	30,007,585	697,611	280,328,611	17,492,100	10,744,132	15,795	-	-	339,285,834
Total noncurrent assets	95,169,536	25,894,385	342,848,454	19,833,846	10,745,094	2,645,378	3,345,928	(29,406,599)	471,076,022
Total assets	\$ 294,710,680	\$ 91,979,950	\$ 404,857,772	\$ 20,362,195	\$ 14,001,498	\$ 12,514,840	\$ 4,383,649	\$ (295,469,322)	\$ 547,341,262
LIABILITIES AND NET ASSETS (DEFICIT)									
Current liabilities									
Accounts payable and accrued expenses	\$ 1,136,860	\$ 13,031,788	\$ 3,683,097	\$ 334,037	\$ 86,554	\$ -	\$ 591,230	\$ (1,460,013)	\$ 17,403,553
Construction payable	-	-	3,825,992	4,914	-	-	-	-	3,830,906
Accrued interest payable - mortgages and notes	-	-	9,747	-	-	-	-	-	9,747
Advances due to affiliates	87,696,952	141,184,413	23,198,448	1,821,927	9,958,185	1,416,508	2,164,666	(264,602,710)	2,838,389
Deferred revenue	1,825,622	9,566,677	198,207	47,537	1,017,910	-	-	-	12,655,953
Project grant advances	176,471	-	-	-	-	-	-	-	176,471
Lease obligations, present value	25,439	5,751,890	-	-	-	-	14,587	-	5,791,916
Mortgages and notes payable	7,075,305	-	953,723	-	-	-	-	-	8,029,028
Total current liabilities	97,936,649	169,534,768	31,869,214	2,208,415	11,062,649	1,416,508	2,770,483	(266,062,723)	50,735,963
Noncurrent liabilities									
Security deposits	171,475	232,690	319,439	39,567	-	77,641	-	-	840,812
Other liabilities	-	450,892	1,179,853	-	-	-	-	(541,192)	1,089,553
Accrued interest payable - mortgages and notes	3,215,044	-	25,029,809	1,317,825	462,142	-	-	-	30,024,820
Deferred revenue	803,633	-	5,402,500	-	-	-	-	-	6,206,133
Project grant advances	6,627,353	-	7,073,943	-	500,000	-	-	-	14,201,296
Lease obligations, present value	363,084	14,762,190	-	-	-	-	365,872	-	15,491,146
Development fee payable	-	-	4,000,000	-	-	-	-	-	4,000,000
Affiliate notes and interest payable	-	-	27,865,407	1,000,000	-	-	-	(28,865,407)	-
Mortgages and notes payable, net	44,809,707	-	240,800,545	21,990,723	9,974,049	-	-	-	317,575,024
Total noncurrent liabilities	55,990,296	15,445,772	311,671,496	24,348,115	10,936,191	77,641	365,872	(29,406,599)	389,428,784
Total liabilities	153,926,945	184,980,540	343,540,710	26,556,530	21,998,840	1,494,149	3,136,355	(295,469,322)	440,164,747

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 - NOT-FOR-PROFIT ENTITIES

For the Year Ended December 31, 2022

	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	\$ 15,575,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,575,344
Government grants and contracts	4,943,130	46,787,099	1,435,338	315,130	5,070,561	-	-	-	58,551,258
Management and partnership fees	-	3,409,612	-	-	-	-	170,000	(1,188,024)	2,391,588
Development fees	-	-	45,810	-	-	-	-	-	45,810
Rental income	7,613,489	1,688,214	6,446,341	2,366,949	86,063	353,555	24,000	(1,683,257)	16,895,354
Other income (loss)	1,491,129	2,736,528	434,307	125,151	55	4,940	6,915	(320,435)	4,478,590
Total revenues and support	29,623,092	54,621,453	8,361,796	2,807,230	5,156,679	358,495	200,915	(3,191,716)	97,937,944
Expenses									
Program services:									
Social services	7,775,638	42,236,994	1,389,785	287,357	4,427,053	-	-	(255,810)	55,861,017
Housing management and development	-	5,019,260	1,500,000	-	-	-	-	-	6,519,260
Permanent housing operations	8,118,146	49,148	8,010,193	2,411,888	-	-	-	(2,615,471)	15,973,904
Total program services	15,893,784	47,305,402	10,899,978	2,699,245	4,427,053	-	-	(2,871,281)	78,354,181
Supporting services:									
Supportive services	553,864	9,455,729	289,254	40,842	763,470	-	230,642	-	11,333,801
General and administrative	-	1,258,094	-	-	-	45,883	-	-	1,303,977
Fundraising	1,091,421	-	-	-	-	-	-	-	1,091,421
Depreciation and amortization	1,730,959	130,957	1,469,943	644,492	417,997	39,696	-	-	4,434,044
Interest and service fees	478,375	178,306	5,573,367	90,897	35,672	5,611	-	(320,435)	6,041,793
Total supporting services	3,854,619	11,023,086	7,332,564	776,231	1,217,139	91,190	230,642	(320,435)	24,205,036
Total expenses	19,748,403	58,328,488	18,232,542	3,475,476	5,644,192	91,190	230,642	(3,191,716)	102,559,217
Change in net assets before other non-recurring items	9,874,689	(3,707,035)	(9,870,746)	(668,246)	(487,513)	267,305	(29,727)	-	(4,621,273)
Other non-recurring item:									
Gain on forgiveness of loans and interest	-	4,217,052	-	-	-	-	-	-	4,217,052
CHANGES IN NET ASSETS	9,874,689	510,017	(9,870,746)	(668,246)	(487,513)	267,305	(29,727)	-	(404,221)
Net assets (deficit), beginning of year	130,909,046	(93,510,607)	71,187,808	(5,526,089)	(7,509,829)	10,753,386	1,277,021	-	107,580,736
Net assets (deficit), end of year	\$ 140,783,735	\$ (93,000,590)	\$ 61,317,062	\$ (6,194,335)	\$ (7,997,342)	\$ 11,020,691	\$ 1,247,294	\$ -	\$ 107,176,515

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

As of December 31, 2022

	Schemerhorn 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
ASSETS																
Current assets																
Cash	\$ 227,808	\$ 400,637	\$ 140,818	\$ 166,426	\$ 253,859	\$ 130,532	\$ 9,082	\$ 21,346	\$ 330,259	\$ 180,439	\$ 865,302	\$ 1,102,466	\$ 1,379,312	\$ 1,275,053	\$ -	\$ 6,483,339
Lender restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	5,509	756	-	6,265
Contractual reserves	-	-	-	-	199,426	-	-	-	566,355	960,194	442,520	24,931	876,409	-	-	3,069,835
Accounts receivable, net	360,386	432,888	281,898	50,880	13,020	486,221	3,156	40,748	103,677	554,586	231,151	196,052	122,754	138,858	-	3,016,275
Advances due from affiliates	1,327,416	554,413	956,560	-	-	-	-	-	-	470,700	-	-	-	-	(470,700)	2,838,389
Other assets, net	18,959	17,951	8,582	5,203	2,556	8,293	-	22,722	38,029	262,038	76,717	106,254	20,605	7,898	-	595,807
Right-of-use assets	-	-	-	-	-	-	-	-	-	-	-	-	-	10,101	-	10,101
Total current assets	1,934,569	1,405,889	1,387,858	222,509	468,861	625,046	12,238	84,816	1,038,320	1,957,257	2,086,390	1,429,703	2,404,589	1,432,666	(470,700)	16,020,011
Noncurrent assets																
Contractual reserves	517,401	418,983	435,869	1,653,752	1,290,609	386,225	582,703	813,559	1,861,031	708,100	741,729	1,000,587	966,809	-	-	11,377,357
Tenant security deposits	84,448	76,734	47,325	13,065	67,029	34,055	44,572	20,080	28,565	154,026	41,230	35,651	24,063	4,262	-	675,105
Other assets, net	-	16,586	9,445	17,660	83,727	-	11,945	25,389	9,030	107,190	37,460	30,090	57,372	142,439	-	548,333
Right-of-use assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	951,816
Property and equipment, net	38,469,701	41,607,837	26,036,473	17,145,166	14,481,520	30,380,236	9,702,064	10,789,643	40,911,566	73,538,008	53,962,886	57,968,534	68,247,251	87,825,657	-	571,066,542
Total noncurrent assets	39,071,550	42,120,140	26,529,112	18,829,643	15,922,885	30,800,516	10,341,284	11,648,671	42,810,192	74,507,324	54,783,305	59,034,862	69,295,495	88,924,174	-	584,619,153
Total assets	\$ 41,006,119	\$ 43,526,029	\$ 27,916,970	\$ 19,052,152	\$ 16,391,746	\$ 31,425,562	\$ 10,353,522	\$ 11,733,487	\$ 43,848,512	\$ 76,464,581	\$ 56,869,695	\$ 60,464,565	\$ 71,700,084	\$ 90,356,840	\$ (470,700)	\$ 600,639,164
LIABILITIES AND PARTNERS'/MEMBERS' EQUITY (DEFICIT)																
Current liabilities																
Accounts payable and accrued expenses	\$ 1,085,636	\$ 366,301	\$ 247,698	\$ 127,943	\$ 101,869	\$ 361,135	\$ 72,775	\$ 163,528	\$ 465,682	\$ 463,156	\$ 606,603	\$ 251,724	\$ 257,663	\$ 230,767	\$ -	\$ 4,802,480
Construction payable	-	-	-	-	-	-	-	-	25,000	161,278	-	-	607,000	2,065,682	-	2,858,960
Accrued interest payable - mortgages and notes	-	-	-	-	15,384	-	-	-	-	-	-	-	-	-	-	15,384
Advances due to affiliates	2,074,432	1,040	-	2,970,491	3,163,845	17,858	433,291	94,716	48,456	731,257	588,324	38,259	16,174	33,167	(470,700)	9,740,610
Deferred revenue	-	-	-	-	-	-	-	-	-	249,321	273,333	-	-	-	-	522,654
Development fee payable	-	-	-	-	-	-	-	-	-	-	-	-	943,672	3,364,922	-	4,308,594
Mortgages and notes payable	-	-	-	-	47,904	-	-	-	129,811	190,412	311,815	146,207	193,958	-	-	1,020,107
Total current liabilities	3,160,088	367,341	247,698	3,098,434	3,329,002	378,993	506,066	258,244	668,949	1,795,424	1,780,075	436,190	2,018,467	5,694,538	(470,700)	23,268,789
Noncurrent liabilities																
Security deposits	84,448	77,374	47,325	12,839	62,760	34,655	42,053	20,080	28,015	153,609	41,230	55,785	24,063	14,974	-	699,210
Other liabilities	100,000	-	690,000	-	140,000	-	59,039	-	-	-	-	-	-	-	-	989,039
Accrued interest payable - mortgages and notes	3,455,905	3,735,289	2,649,806	240,437	386,352	2,436,500	-	362,759	2,486,918	353,168	624,030	1,068,927	1,158,421	1,356,315	-	20,314,827
Development fees payable	2,807,669	3,949,948	1,829,042	593,149	-	-	-	-	1,221,063	1,898,900	2,052,675	767,882	5,077,583	8,685,078	-	28,882,989
Mortgages and interest payable	708,840	3,115,966	1,537,500	17,277,569	699,754	5,010,664	1,397,732	1,456,704	3,109,126	3,944,080	205,200	398,148	1,225,125	3,849,595	-	43,936,003
Affiliate notes and notes payable, net	26,290,415	30,903,200	21,018,778	2,503,283	11,733,282	24,076,992	9,045,063	4,656,620	25,289,750	44,425,080	34,490,925	36,517,757	37,454,042	75,017,348	-	383,422,515
Total noncurrent liabilities	33,447,277	41,781,777	27,772,451	20,627,277	13,022,128	31,558,811	10,543,887	6,496,163	32,134,872	50,774,837	37,414,060	38,808,499	44,939,234	88,923,310	-	478,244,583
Total liabilities	36,607,345	42,149,118	28,020,149	23,725,711	16,351,130	31,937,804	11,049,953	6,754,407	32,803,821	52,570,261	39,194,135	39,244,689	46,957,701	94,817,848	(470,700)	501,513,372
Partners'/members' equity (deficit)																
Controlling interest	(2,401)	(2,028)	(1,707)	(606)	1,274,005	(1,337)	(469)	1,708,448	(756)	(1,299)	(819)	(630)	205,428	(635)	-	3,175,194
Noncontrolling interest	4,401,175	1,378,939	(101,472)	(4,672,953)	(1,233,389)	(510,905)	(695,962)	3,270,632	11,045,447	23,895,619	17,676,379	21,220,506	24,536,955	(4,260,373)	-	95,950,598
Total partners'/members' equity (deficit)	4,398,774	1,376,911	(103,179)	(4,673,559)	40,616	(512,242)	(696,431)	4,979,080	11,044,691	23,894,320	17,675,560	21,219,876	24,742,383	(4,261,008)	-	99,125,792
Total liabilities and partners'/members' equity (deficit)	\$ 41,006,119	\$ 43,526,029	\$ 27,916,970	\$ 19,052,152	\$ 16,391,746	\$ 31,425,562	\$ 10,353,522	\$ 11,733,487	\$ 43,848,512	\$ 76,464,581	\$ 56,869,695	\$ 60,464,565	\$ 71,700,084	\$ 90,356,840	\$ (470,700)	\$ 600,639,164

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Breaking Ground Housing Development Fund Corporation and Affiliates

CONSOLIDATING SCHEDULE OF ACTIVITIES - HOUSING ENTITIES

For the Year Ended December 31, 2022

	<u>Schermerhorn L.P.</u>	<u>Pitt Street L.P.</u>	<u>Brook Avenue Housing L.P.</u>	<u>St. Marks Brownsville L.P.</u>	<u>410 Asylum Street Street (Combined)</u>	<u>Hegeman Avenue Housing L.P.</u>	<u>Common Ground Cedarwoods Housing LLC</u>	<u>1630 Dewey Avenue LLC</u>	<u>Boston Road Housing, L.P.</u>	<u>Webster Avenue Affordable LLC</u>	<u>Webster Avenue Supportive LLC</u>	<u>La Central Supportive L.P.</u>	<u>Edwin's Place L.P.</u>	<u>BG Betances L.P.</u>	<u>Housing Entities Eliminations</u>	<u>Total Housing Entities</u>
Revenues and support																
Rental income	\$ 2,394,661	\$ 3,052,495	\$ 2,318,546	\$ 1,117,118	\$ 1,074,999	\$ 1,855,327	\$ 558,964	\$ 630,439	\$ 2,245,705	\$ 2,920,158	\$ 2,660,282	\$ 2,819,980	\$ 2,409,468	\$ 1,103,647	\$ -	\$ 27,161,789
Other income	120,399	92,000	51,860	147,305	69,129	70,946	15,009	9,438	28,900	453,026	796,583	16,659	23,546	1,143	-	1,895,943
Total revenues and support	2,515,060	3,144,495	2,370,406	1,264,423	1,144,128	1,926,273	573,973	639,877	2,274,605	3,373,184	3,456,865	2,836,639	2,433,014	1,104,790	-	29,057,732
Expenses																
Program services:																
Permanent housing operations	2,700,946	2,984,306	2,353,609	1,184,420	904,202	2,186,988	591,636	682,336	1,950,812	2,433,244	2,198,911	1,924,268	1,575,814	1,435,891	-	25,107,383
Total program services	2,700,946	2,984,306	2,353,609	1,184,420	904,202	2,186,988	591,636	682,336	1,950,812	2,433,244	2,198,911	1,924,268	1,575,814	1,435,891	-	25,107,383
Supporting services:																
Depreciation and amortization	1,463,001	1,300,717	1,010,294	812,862	566,788	921,825	428,158	406,319	1,223,286	2,040,282	1,507,411	1,648,388	1,876,571	2,098,647	-	17,304,549
Interest and service fees	274,795	417,998	231,627	551,780	218,585	286,923	13,980	53,652	541,566	1,031,732	971,167	574,970	1,172,529	3,443,449	-	9,784,753
Total supporting services	1,737,796	1,718,715	1,241,921	1,364,642	785,373	1,208,748	442,138	459,971	1,764,852	3,072,014	2,478,578	2,223,358	3,049,100	5,542,096	-	27,089,302
Total expenses	4,438,742	4,703,021	3,595,530	2,549,062	1,689,575	3,395,736	1,033,774	1,142,307	3,715,664	5,505,258	4,677,489	4,147,626	4,624,914	6,977,987	-	52,196,685
NET (LOSS) INCOME	\$ (1,923,682)	\$ (1,558,526)	\$ (1,225,124)	\$ (1,284,639)	\$ (545,447)	\$ (1,469,463)	\$ (459,801)	\$ (502,430)	\$ (1,441,059)	\$ (2,132,074)	\$ (1,220,624)	\$ (1,310,987)	\$ (2,191,900)	\$ (5,873,197)	\$ -	\$ (23,138,953)

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