REGIONAL COMMUNITY FINANCE, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

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TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplemental Information	
Schedule of Compensation, Benefits, and Other Payments to Agency Head	19
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*	20

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Postlethwaite & Netterville

A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Regional Community Finance, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Regional Community Finance, Inc. and its subsidiary (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Regional Community Finance, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 Regional Community Finance, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 consolidated 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 Regional Community Finance, Inc.'s internal control, 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 Regional Community Finance, Inc.'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 planning 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 schedule of compensation, benefits, and other payments to agency head on page 19 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such 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 audit of the consolidated financial statements and certain

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additional procedures, including comparing and reconciling such 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 schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
June 30, 2022

REGIONAL COMMUNITY FINANCE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

A S S E T S

	2021	2020
Cash and cash equivalents	$ 314,168	$ 416,715
Restricted cash and cash equivalents	7,215,870	32,546
Accounts receivable	269,820	52,681
Interest receivable	12,189	5,822
Prepaid insurance	1,455	437
Other asset	25,007	-
Notes receivable	19,083,450	15,670,062
Property	810,663	305,000
Investment in partnership	47,024	12,024
Total assets	$ 27,779,646	$ 16,495,287

L I A B I L I T I E S   A N D   N E T   A S S E T S

	2021	2020
Accounts payable	$ 109,015	$ 4,174
Deferred revenue	844,361	869,568
Deferred rent expense	1,017,667	581,524
Loans payable	21,228,887	10,254,841
Interest payable	199,996	170,578
Other liabilities	61,515	16,270
Total liabilities	23,461,441	11,896,955
Net assets without donor restriction	4,318,205	4,598,332
Total liabilities and net assets	$ 27,779,646	$ 16,495,287

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

REGIONAL COMMUNITY FINANCE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Revenues and Support		
Rental income	$ 701,413	$ 626,173
Contributions	-	841,100
Interest income	540,152	474,194
Other income	20,615	14,984
Total revenue	1,262,180	1,956,451
Expenses		
Program services:		
Payroll expense	5,998	-
Accounting fees	-	4,500
Interest expense	460,768	342,480
Amortization expense	30,284	7,143
Forgiveness of notes receivable	-	1,337,000
Rental expense	1,007,143	1,006,813
Loss on disposition of assets	-	3,697
Loss on investment in partnership	-	16
	1,504,193	2,701,649
Supporting services:		
Legal and professional fees	4,091	-
Bank fees	749	737
Dues, licenses and fees	85	67
Property and liability insurance	8,689	3,482
Accounting fees	8,000	11,100
Management fees	16,500	6,000
	38,114	21,386
Total expenses	1,542,307	2,723,035
Change in net assets	(280,127)	(766,584)
Net assets at beginning of year	4,598,332	5,364,916
Net assets at end of year	$ 4,318,205	$ 4,598,332

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

REGIONAL COMMUNITY FINANCE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets	$ (280,127)	$ (766,584)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Forgiveness of notes receivable	-	1,337,000
Assignment of note receivable	-	(841,100)
Loss on investment in partnership	-	16
Changes in operating assets and liabilities:		
Accounts receivable	(217,139)	(52,681)
Interest receivable	(6,367)	(3,334)
Other asset	(25,007)	2,532,422
Accounts payable	104,841	(52,335)
Other liability	45,245	5,939
Interest payable	29,418	7,596
Deferred revenue	(25,207)	(24,440)
Deferred rent expense	436,143	436,143
Net cash provided by operating activities	60,782	2,578,642
Cash flows from investing activities:		
Funds advanced on notes receivable	(3,499,275)	-
Investment in partnership	(35,000)	-
Purchases of property	(505,663)	-
Payments received on notes receivable	85,887	46,463
Net cash provided by (used in) investing activities	(3,954,051)	46,463
Cash flows from financing activities:		
Proceeds from notes payable	11,160,466	-
Payments on notes payable	(186,420)	(2,489,424)
Net cash provided by (used in) financing activities	10,974,046	(2,489,424)
Net increase in cash and cash equivalents	7,080,777	135,681
Cash and cash equivalents at beginning of year	449,261	313,580
Cash and cash equivalents at end of year	$ 7,530,038	$ 449,261
Reconciliation to Consolidated Statements of Financial Position		
Cash and cash equivalents for cash flow statement include:		
Cash and cash equivalents	$ 314,168	$ 416,715
Restricted cash and cash equivalents	7,215,870	32,546
	$ 7,530,038	$ 449,261
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 431,350	$ 527,899

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

(1) Summary of Significant Accounting Policies

(a) History and Organization

Regional Community Finance, Inc. (the Organization, "RCF") is a non-profit organization under the laws of the State of Louisiana and was created to foster low and moderate income housing and to promote economic development through community development projects primarily targeted to benefit low and moderate income residents. The Organization fulfills this mission by providing community development financing to New Markets Tax Credit and other real estate projects. The organization was formally known as GCHP Housing Finance, Inc. and changed its name to Regional Community Finance, Inc., on December 19, 2017.

These financial statements have been consolidated to include the Organization's wholly owned subsidiaries, GCHP-MLK Leverage Lender, LLC and OCH Commercial, LLC. Other non-consolidated partnership interests include .50% of 2700 Bohn Motor, LLC which is accounted for under the cost method and 21% of GCHP-Elysian II GP, LLC which is accounted for under the equity method. All intercompany transactions have been eliminated.

(b) Basis of Accounting and Presentation of Net Assets

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities to the following net asset classifications.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization had no net assets with donor restrictions as of and during the years ended December 31, 2021 and 2020.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restrictions are accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

(1) Summary of Significant Accounting Policies (continued)

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates, and those differences could be material.

(d) Cash and Cash Equivalents

Cash includes amounts on deposit at financial institutions. Cash equivalents represent cash demand deposits and all highly liquid debt instruments with an original maturity of three months or less from the date of purchase.

(e) Restricted Cash and Cash Equivalents

The Organization maintains restricted cash accounts as required by grant and loan agreements.

(f) Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. The Organization uses the direct write-off method to provide for uncollectable accounts. Receivables are charged to bad debt when they are deemed uncollectable. The use of this method does not result in a material difference from the valuation method required by U.S. GAAP.

(g) Property

Property consists of land that was donated to the Organization on May 28, 2013, and construction in progress that began in 2021.

Impairment of long-lived assets is reviewed whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. Fair market value is determined primarily using appraisals. There were no impairments of long-lived assets recorded by management during the years ended December 31, 2021 and 2020.

(h) Deferred Revenue

Deferred revenue consists of a note receivable purchased by the Organization from Regions Bank as of August 1, 2016 with a loan balance of $784,389 and $800,140 as of December 31, 2021 and 2020, respectively. The purchase price was below the carrying value of the loan; therefore, the related note receivable is included in notes receivable and deferred revenue on the consolidated statements of financial position. The loan matures on December 27, 2027. The deferred revenue is recognized in revenue as the principal portion of the note is paid to the Organization. For the years ended December 31, 2021 and 2020, $15,751 and $14,984, was recognized as revenue from the note receivable, respectively, and is included in other income.

(1) Summary of Significant Accounting Policies (continued)

(h) Deferred Revenue (continued)

Deferred fee income revenue consists of fees to be earned by the Organization related to the 2700 Bohn Motor, LLC financing agreement with a deferred balance of $59,972 and $69,428 as of December 31, 2021 and 2020, respectively. The deferred revenue is recognized over the life of the loan, which matures on December 5, 2047. For the years ended December 31, 2021 and 2020, $9,456 was recognized as revenue from the deferred fees, and is included in interest income.

(i) Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give – that is, those with measurable performance or other barriers and right of return (or release) – are not recognized until the conditions on which they depend have been substantially met.

Rental income is recognized as the rent becomes due. Rental payments received in advance are deferred until earned. All leases between Regional Community Finance and the tenants of the property are operating leases. Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages or cleaning fees, if applicable. Tenant receivables consist of amounts due for rental income, other tenant charges, and charges for damages and cleaning fees in excess of forfeited security deposits. Regional Community Finance does not accrue interest on the tenant receivable balances.

(j) Expense Allocation

The costs of the various program and supporting services have been summarized on a natural and functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program or support services categories based on specific identification where possible. Payroll is allocated based on estimates of time and effort. Such allocations are determined by management on an equitable basis. All other costs are charged directly to the appropriate functional category.

(k) Tax Exempt Status

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization 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 has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

(1) Summary of Significant Accounting Policies (continued)

(l) Accounting Pronouncements Issued but Not Yet in Effect

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for the Organization's fiscal year ending December 31, 2022.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of retained earnings. On June 3, 2020, the FASB deferred the effective date of this standard for certain entities. This standard will be effective for the Organization's fiscal year ending December 31, 2022.

(2) Liquidity and Availability of Resources

The following represents the Organization's financial assets available for general expenditures at December 31:

Financial assets at year-end:	2021	2020
Cash and cash equivalents	$ 314,168	$ 416,715
Restricted cash and cash equivalents	7,215,870	32,546
Accounts receivable	269,820	52,681
Interest receivable	12,189	5,822
Other asset	25,007	-
Notes receivable	19,083,450	15,670,062
Total financial assets	26,920,504	16,177,826
Less amounts not available to be used within one year for general expenditures:		
Restricted cash	7,215,870	32,546
Notes receivable, net of current portion	19,004,534	15,587,421
	26,220,404	15,619,967
Financial assets available to meet general expenditures within one year	$ 700,100	$ 557,859

(2) Liquidity and Availability of Resources (continued)

RCF maintains cash reserves as required by loan agreements. Cash flow projections for each project, prepared by an independent third party, are included in the transaction process to ensure the receipts from lending activity cover expenditures from financing activities for the organization. As part of its liquidity plan, excess cash is invested in short term investments with maturities of no more than 3 months, including US government securities and certificates of deposit. Funds are invested to ensure full FDIC coverage to the extent permissible by existing loan covenants.

(3) Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

(4) Notes Receivable

Details of notes receivable are as follows as of December 31:

	2021	2020
Note Receivable – GCHP - 1409 OCH, LLC Note receivable for $1,947,000 dated March 31, 2011. The Note bears interest at a rate per annum of 0.5% payable quarterly beginning July 1, 2011. The note matures March 30, 2051.	$ 1,908,687	$ 1,947,000
Note Receivable – GCHP-Polybar - QLICI B Note Note receivable for $2,736,301 dated June 27, 2013. The note bears interest at a rate per annum of 1.0% payable in monthly payments of principal and interest in the amount of $3,335.28 commencing on January 31, 2020 thorugh January 31, 2044. The note matures February 29, 2044.	791,615	823,438
Note Receivable – Old Morrison Partners, L.P. Note receivable for $860,000 dated February 1, 2010 and assigned to the Organization by Regions Bank as of August 1, 2016. The note bears interest at a rate per annum of 5% payable monthly beginning September 1, 2016. The note matures December 27, 2027.	784,389	800,140

(4) Notes Receivable (continued)

	2021	2020
Notes Receivable - OCH Commercial Leverage Lender, LLC Note receivable for $3,499,275 dated July 1, 2021. The note bares interest at a rate per annum of 1% payable quarterly until principal and interest payments begin October 1, 2028. The note matures July 1, 2051.	3,499,275	-
Note Receivable – Odyssey House Note receivable for $4,858,384 dated December 5, 2017. The note bears interest at a rate per annum of 1.595212% payable quarterly beginning December 5, 2017 with principal payments beginning in June 2029. The note matures December 5, 2038.	4,858,384	4,858,384
Note Receivable – GCHP-Elysian, LLC Note receivable for $841,100 dated April 1, 2012 with an interest rate of 0% per annum. Principal is due April 31, 2052. The note was assigned to RCF during the year ended December 31, 2020.	841,100	841,100
Notes Receivable – Odyssey House Note receivable for $5,000,000 dated December 5, 2017. The note bears interest at a rate per annum of 6.09% payable quarterly beginning December 5, 2017. Principal is due at maturity on December 5, 2024.	5,000,000	5,000,000
Notes Receivable – GCHP-Mid City Note receivable for $1,400,000 dated December 6, 2012 bearing interest at a rate per annum of 0%. The note matures December 5, 2047. Principal is due at maturity on December 5, 2024.	1,400,000	1,400,000
Total notes receivable	$ 19,083,450	$ 15,670,062

(5) Long-Term Debt

Details of long-term debt are as follows as of December 31:

	2021	2020
Note Payable – New Orleans Redevelopment Authority		
Note payable with New Orleans Redevelopment Authority (NORA) for $2,000,000 dated March 31, 2011. The Note bears interest at a rate per annum of 0.5% which accrued from the date of the note until the Option Date. Beginning on the Option Date, interest accrues at the Prime Rate plus 1%, adjusted annually, payable monthly in arrears. Outstanding principal will be amortized over the remaining term of the loan in equal monthly installments payable in arrears. Principal and interest shall be paid out of monthly cash flow. The note matures March 31, 2041 and is collateralized by substantially all of the assets of the entity.	$ 2,000,000	$ 2,000,000
Note Payable – State of Louisiana, Office of Community Development (OCD)		
Note payable with State of Louisiana, OCD for $1,000,000 dated November 27, 2013. The note has an interest rate of 1% per annum paid monthly in arrears on the tenth day of the month beginning six months after the initial date of advance of loan proceeds. Commencing eighteen months from the initial advance date, principal will amortize in equal monthly installments over the remaining term of the loan and through October 26, 2019 be deposited into a sinking fund. On October 27, 2019 all deposits in the sinking fund will be paid to lender as a "Balloon Payment" and principal will be due to lender on the tenth of the month in arrears. The maturity date is November 27, 2043. The note is collateralized by a security interest in the Junior Leveraged Loan and Junior Leveraged Loan Documents; a security interest in the Jr. Leveraged Loan and Sinking Fund deposit accounts; a Mortgage on the property located at 1701 Baronne St., New Orleans, Louisiana and the Guarantee Agreement.	783,629	817,802
Note Payable – Rhodes Loan		
Note payable with 2700 Bohn/Rhodes, LLC for $605,363 dated December 5, 2017. The note has an interest rate of 0%. The note matures on December 5, 2024. The note is unsecured.	605,363	605,363

(5) Long-Term Debt (continued)

	2021	2020
Note Payable – Note A Note payable with Reinvestment Fund Inc. for $5,000,000 dated December 5, 2017. The note has an interest rate of 6.09% and matures on December 5, 2024. Interest is payable quarterly in arrears. The note is collateralized by a leasehold mortgage and repayment guarantees.	4,793,745	4,888,884
Note Payable – New Orleans Redevelopment Authority Note payable with New Orleans Redevelopment Authority (NORA) for $500,000 dated December 5, 2017. The note has an interest rate of 2.5% and maturity on December 5, 2037. Interest is payable quarterly in arrears. Principal will be amortized over a forty-year period, beginning the first day of the first month after the disbursement date payable quarterly until the loan is paid in full. Any unpaid principal or accrued interest is due to the lender upon maturity. The loan is collateralized by cash accounts, financial assets, promissory notes executed by Investment Fund (Odyssey House in Note 4), and leasehold mortgage. The loan was funded and used to settle the remaining balance of Note B above.	486,705	494,175
Note Payable – Bohn Rhodes CDBG Note payable with Bohn Rhodes, L.L.C. for $1,500,000 with an interest rate of 1% and maturity on December 5, 2047. Upon advance of loan proceeds, principal shall begin to amortize in equal monthly installments over the period of time beginning six months after the initial date of advance. Loan is due and payable quarterly in arrears. The loan is collateralized by leasehold mortgage, security agreement, and pledge of leases and rents.	1,429,271	1,476,593
Note Payable - AG 2018, LLC Note payable with AG 2018, LLC for $140,828 with an interest rate of 1% and matures on July 1, 2051. The principal balance of this Note and interest thereon shall be paid annually commencing on January 1, 2029 solely from available net cash flow received by the Borrower.	140,828	-

(5) Long-Term Debt (continued)

	2021	2020
Note Payable - Home Bank		
Note payable with Home Bank for $202,701 with an interest rate of 4.75% and matures on June 30, 2051. Principal shall begin to amortize in equal monthly installments over the period of time beginning on the Commencement Date and ending on the Maturity Date. and payments of principal and interest shall be due and payable to Lender monthly in arrears on the tenth da of each moth. The unpaid balance of principal and all due and unpaid interest shall be due and payable on June 30, 2051.	200,958	-
Note Payable - Home Bank		
Note payable with Home Bank for $5,000,000 with an interest rate of Prime + 1.25% and matures on June 30, 2051. Principal shall begin to amortize in equal monthly installments over the period of time beginning on the Commencement Date and ending on the Maturity Date. and payments of principal and interest shall be due and payable to Lender monthly in arrears on the tenth da of each moth. The unpaid balance of principal and all due and unpaid interest shall be due and payable on June 30, 2051.	5,000,000	-
Notes Payable - GCHP-NMTC19 #3 Note A-1		
Note payable with GCHP-NMTC19 #3, LLC for $76,375 with an interest rate of 1.31% and matures on June 30, 2056. Upon advancement of the note interest is payable quarterly. Principal payments will begin in 2028 with payments of principal and interest due quarterly.	76,375	-
Notes Payable - GCHP-NMTC19 #3 Note A-2		
Note payable with GCHP-NMTC19 #3, LLC for $3,492,900 with an interest rate of 1.31% and matures on June 30, 2056. Upon advancement of the note interest is payable quarterly. Principal payments will begin in 2028 with payments of principal and interest due quarterly.	3,492,900	-

(5) Long-Term Debt (continued)

	2021	2020
Notes Payable - GCHP-NMTC19 #3 Note B		
Note payable with GCHP-NMTC19 #3, LLC for $1,507,100 with an interest rate of 1.31% and matures on June 30, 2056. Upon advancement of the note interest is payable quarterly. Principal payments will begin in 2028 with payments of principal and interest due quarterly.	1,507,100	-
Notes Payable - GCHP-NMTC19 #3 Note C		
Note payable with GCHP-NMTC19 #3, LLC for $1,228,625 with an interest rate of 1.31% and matures on June 30, 2056. Upon advancement of the note interest is payable quarterly. Principal payments will begin in 2028 with payments of principal and interest due quarterly.	1,228,625	-
Total long-term debt	21,745,499	10,282,817
Less unamortized debt issuance costs	516,612	27,976
Total long-term debt, net	$ 21,228,887	$ 10,254,841

Maturities for long-term debt for the next five years and thereafter are:

2022	$ 238,055
2023	5,245,438
2024	4,724,494
2025	140,553
2026	141,821
Thereafter	9,255,138
Loan repayment based on cash flows	2,000,000
	$ 21,745,499

(6) Related Party Transactions

A Director and related party of RCF is also the President of Gulf Coast Housing Partnership, Inc. (“GCHP”) which is the parent company of GCHP-Management, LLC, GCHP-Mid City, Old Morrison Partners, L.P. and GCHP – Polybar, LLC.

The Organization has contracted with GCHP-Management, LLC to provide management services. During the years ended December 31, 2021 and 2020, the Organization was charged $17,690 and $6,000, respectively for management services by GCHP-Management, LLC.

(6) Related Party Transactions (continued)

The Organization has entered into a note payable on July 1, 2021, with AG 2018, LLC, a related party of RCF, for $140,828 with an interest rate of 1% and matures on July 1, 2051. The principal balance of this Note and interest thereon shall be paid annually commencing on January 1, 2029 solely from available net cash flow received by the Borrower.

The Organization has entered into numerous notes payable and notes receivable with GCHP and subsidiaries over the normal course of business.

(7) New Market Tax Credits

On July 1, 2021, OCH Commercial, LLC, entered into four separate loan agreements with GCHP-NMTC-2019#3 totaling $6,305,000 (the "Project Loans"). These notes have an interest rate of 1.31% and a maturity date of July 1, 2050. The Project Loans are expected to constitute "Qualified low-income community investments" as defined under Code Section 45D and the Louisiana NMTC Act, as applicable to the State AEI, and shall be used by OCH Commercial, LLC, solely in connection with the completion, operation, and leasing of the QALICB's Business and to fund certain costs and reserves associated with the closing of the project loans.

(8) Operating Leases

The Organization leases the property at 2700 South Broad Avenue from 2700 Bohn Motor, L.L.C. (see Note 1a) for $47,583 per month until 2025, $72,458 per month until 2029 and $97,916 per month in 2029 with annual increases of 2.5% until the initial lease expires on August 31, 2037. There is a fifteen-year renewal option with annual rent increases of 2.5%. Rent expense related to this lease agreement has been straight-lined on the consolidated statements of activities in accordance with US GAAP.

Minimum future lease payments as of December 31, 2021, are as follows:

Year ended December 31,	Minimum Rent
2022	$ 571,000
2023	571,000
2024	571,000
2025	869,500
2026	869,500
Thereafter	13,106,322
	$ 16,558,322

On December 5, 2017, the Organization provided financing in the form of two loans totaling $9,858,384 to an investment fund that made investments under the New Markets Tax Credit program for the development of the property at 2700 South Broad Avenue. The Organization signed an Option Agreement with GS Group NMTC INVESTOR LLC, the tax credit investor in the investment fund, to acquire the tax credit investor's interest at the end of the Tax Credit Investment Period. This option will begin at the end of 2024.

(8) Operating Leases (continued)

As a result of this Option Agreement, and as is typical with investments made related to the New Markets Tax Credit program, all the agreements related to the financing and construction of 2700 South Broad Street on or around December 5, 2017, including this operating lease, will be renegotiated when the option is exercised.

At that time the accrued expense liability created by straight-lining the lease agreement, which will total approximately $2,326,096 by the end of 2024, will be adjusted, the impact of which will be reflected in the consolidated statements of activities.

The Organization entered into an operating lease with Odyssey House Louisiana, LLC for the property described above, receivable in monthly payments of $52,181. The lease began during the year ended December 31, 2019, and will end on the tenth anniversary of the commencement of the lease. Rental revenue under the lease was $626,173 for the year ended December 31, 2021.

The Organization entered into an operating lease with Odyssey House Louisiana, LLC for additional space in the property described above, receivable in monthly payments of $6,270. Lease payments began in January 2021 and will end on the fifth anniversary of the commencement of the lease.

Future minimal rental receipts under the leases are as follows:

Year ended December 31,	Minimum Rent
2022	$ 701,412
2023	701,412
2024	701,412
2025	701,412
2026	626,172
Thereafter	1,878,516
	$ 5,310,336

(9) Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, June 30, 2022, and determined that there were no other events other than the commencement of the operating lease described in Note 8 that required additional disclosure. No events after this date have been evaluated for inclusion in these consolidated financial statements.

REGIONAL COMMUNITY FINANCE, INC.

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2021**

Agency Head: Kathy Laborde

R.S. 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2015 Regular Session which clarified that nongovernmental or not for profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer paid from public funds.

The Organization is not required to report the total compensation, reimbursements, and benefits paid to the agency head as these costs are not supported by public funds.

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Regional Community Finance, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Regional Community Finance, Inc. (the Organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 30,2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
June 30, 2022