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**REGIONAL COMMUNITY FINANCE, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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REGIONAL COMMUNITY FINANCE, INC.

DECEMBER 31, 2019

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Regional Community Finance, Inc.

We have audited the accompanying consolidated financial statements of Regional Community Finance, Inc. and its subsidiary (the Organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Regional Community Finance, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on page 17 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This supplementary information included on page 17 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain 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, such information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020, 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 23, 2020

**REGIONAL COMMUNITY FINANCE, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

|                                       | <b><u>A S S E T S</u></b> |                      |
|---------------------------------------|---------------------------|----------------------|
|                                       | <b><u>2019</u></b>        | <b><u>2018</u></b>   |
| Current assets                        |                           |                      |
| Cash and cash equivalents             | \$ 284,380                | \$ 181,482           |
| Cash and cash equivalents, restricted | 11,890                    | 11,890               |
| Interest receivable                   | 2,488                     | 6,972                |
| Prepaid insurance                     | 437                       | 437                  |
| Other asset                           | 2,532,422                 | -                    |
| Notes receivable, current portion     | 46,526                    | 14,255               |
| Total current assets                  | <u>2,878,143</u>          | <u>215,036</u>       |
| Other assets                          |                           |                      |
| Notes receivable                      | 16,165,899                | 16,694,965           |
| Cash and cash equivalents, restricted | 17,310                    | 31,504               |
| Property                              | 305,000                   | 305,000              |
| Investment in partnership             | 12,040                    | 12,040               |
| Total assets                          | <u>\$ 19,378,392</u>      | <u>\$ 17,258,545</u> |

  

| <b><u>LIABILITIES AND NET ASSETS</u></b> |                      |
|--|----------------------|
| Current liabilities                      |                      |
| Accounts payable                         | \$ 59,844            |
| Deferred revenue, current portion        | 14,984               |
| Deferred revenue, fee income             | 9,456                |
| Loans payable, current portion           | 2,435,302            |
| Interest payable, current portion        | 93,609               |
| Total current liabilities                | <u>2,613,195</u>     |
| Long-term liabilities                    |                      |
| Interest payable                         | 79,020               |
| Deferred revenue                         | 869,568              |
| Loans payable                            | 10,306,312           |
| Other liabilities                        | 145,381              |
| Total long-term liabilities              | <u>11,400,281</u>    |
| Total liabilities                        | <u>14,013,476</u>    |
| Net assets without donor restriction     | <u>5,364,916</u>     |
| Total liabilities and net assets         | <u>\$ 19,378,392</u> |

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, 2019 AND 2018**

|                                  | <b><u>2019</u></b>  | <b><u>2018</u></b>  |
|----------------------------------|---------------------|---------------------|
| Revenue                          |                     |                     |
| Rental income                    | \$ 208,725          | \$ -                |
| Contribution                     | 1,400,000           | -                   |
| Interest income                  | 480,230             | 484,510             |
| Other income                     | 2,547,833           | 11,333              |
| Total revenue                    | <u>4,636,788</u>    | <u>495,843</u>      |
| Expenses                         |                     |                     |
| Program:                         |                     |                     |
| Accounting fees                  | 4,000               | 4,000               |
| Interest expense                 | 513,059             | 642,118             |
| Forgiveness of notes receivable  | -                   | 402,548             |
| Rental expense                   | 335,714             | -                   |
| Total program expenses           | <u>852,773</u>      | <u>1,048,666</u>    |
| Support:                         |                     |                     |
| Legal and professional fees      | 600                 | 1,945               |
| Bank fees                        | 644                 | 458                 |
| Dues, licenses and fees          | 50                  | 50                  |
| Property and liability insurance | 8,562               | 3,478               |
| Accounting fees                  | 3,620               | 9,550               |
| Management fees                  | 6,000               | 6,000               |
| Other expense                    | -                   | 198                 |
| Total support expenses           | <u>19,476</u>       | <u>21,679</u>       |
| Total expenses                   | <u>872,249</u>      | <u>1,070,345</u>    |
| Change in net assets             | 3,764,539           | (574,502)           |
| Net assets at beginning of year  | 1,600,377           | 2,174,879           |
| Net assets at end of year        | <u>\$ 5,364,916</u> | <u>\$ 1,600,377</u> |

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, 2019 AND 2018**

|  | <b><u>2019</u></b> | <b><u>2018</u></b> |
|--|--------------------|--------------------|
| Cash flows from operating activities:  |                    |                    |
| Changes in net assets  | 3,764,539          | \$ (574,502)       |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: |                    |                    |
| Forgiveness of notes receivable  | 1,736,301          | 402,548            |
| Assignment of note receivable  | (1,400,000)        | -                  |
| Forgiveness of notes payable   | (1,736,301)        | -                  |
| Increase in loans payable for interest expense   | 86,228             | 167,880            |
| Changes in operating assets and liabilities:   |                    |                    |
| Increase in other receivable   | (2,532,422)        | -                  |
| Decrease (increase) in interest receivable   | 4,484              | (4,484)            |
| Increase in prepaid insurance  | -                  | (4)                |
| Increase (decrease) in accounts payable  | 59,067             | (3,422)            |
| Increase (decrease) in other liability   | 135,381            | (2,040)            |
| Increase (decrease) in interest payable  | (14,840)           | 88,821             |
| Increase (decrease) in deferred revenue  | (24,867)           | 66,889             |
| Decrease in deferred revenue fee income  | -                  | (88,340)           |
| Net cash provided by operating activities  | <u>77,570</u>      | <u>53,346</u>      |
| Cash flows from investing activities:  |                    |                    |
| Funds advanced on notes receivable   | -                  | (402,548)          |
| Payments received on notes receivable  | <u>160,494</u>     | <u>11,994</u>      |
| Net cash provided by (used in) investing activities  | <u>160,494</u>     | <u>(390,554)</u>   |
| Cash flows from financing activities:  |                    |                    |
| Payments on notes payable  | <u>(149,360)</u>   | <u>-</u>           |
| Net cash used in financing activities  | <u>(149,360)</u>   | <u>-</u>           |
| Net increase (decrease) in cash and cash equivalents   | 88,704             | (337,208)          |
| Cash and cash equivalents at beginning of year   | <u>224,876</u>     | <u>562,084</u>     |
| Cash and cash equivalents at end of year   | <u>\$ 313,580</u>  | <u>\$ 224,876</u>  |
| Reconciliation to Statements of Financial Position   |                    |                    |
| Cash and cash equivalents for cash flow statement include:                                   |                    |                    |
| Cash and cash equivalents  | \$ 284,380         | \$ 181,482         |
| Cash and cash equivalents, current restricted  | 11,890             | 11,890             |
| Cash and cash equivalents, long-term restricted  | <u>17,310</u>      | <u>31,504</u>      |
|  | <u>\$ 313,580</u>  | <u>\$ 224,876</u>  |
| Supplemental Disclosure of Cash Flow Information:  |                    |                    |
| Cash paid for interest   | <u>\$ 527,899</u>  | <u>\$ 553,297</u>  |

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



**REGIONAL COMMUNITY FINANCE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

(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 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 subsidiary, GCHP-MLK Leverage Lender, 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) **Financial Statement Presentation**

The consolidated financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US 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 the 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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets. The Organization had no net assets with donor restrictions as of December 31, 2019 and 2018.

(c) **Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the valuation of receivables.

**REGIONAL COMMUNITY FINANCE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**(1) Summary of Significant Accounting Policies (continued)**

**(d) Receivables**

Receivables are charged to bad debt when they are deemed uncollectible. As of December 31, 2019 and 2018, management has deemed that no allowance for uncollectible accounts is necessary.

**(e) Restricted Cash and Cash Equivalents**

The Organization maintains restricted cash accounts as required by grant and loan agreements to fund future debt payments.

**(f) Property**

Property consists of land that was donated to the Organization on May 28, 2013.

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the estimated cost to dispose. There were no impairments of long-lived assets recorded by management during the years ended December 31, 2019 and 2018.

**(g) 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 \$815,124 and \$830,835 as of December 31, 2019 and 2018, 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 deferred revenue is recognized in revenue as the principal portion of the note is paid to the Organization. For the years ended December 31, 2019 and 2018, \$15,411 and \$11,300, was recognized as revenue from the note receivable, respectively, and is included in other income.

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 \$78,884 and \$88,340 as of December 31, 2019 and 2018, respectively. The deferred revenue is recognized over the life of the loan. For the year ended December 31, 2019 and 2018, \$9,456 and \$9,456 was recognized as revenue from the deferred fees, respectively, and is included in interest income.

**(h) Expense Allocation**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

**REGIONAL COMMUNITY FINANCE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**(1) Summary of Significant Accounting Policies (continued)**

**(i) Tax Exempt Status**

The Organization has received notice from the Internal Revenue service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”).

The Organization applies the accounting for uncertainty in income taxes approach by defining criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in a company’s financial statements. This method requires recognition and measurement of uncertain income tax positions using a “more-likely-than-not” recognition threshold for all tax uncertainties. There were no uncertain tax positions at December 31, 2019 and 2018.

**(j) New Accounting Pronouncement**

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Organization adopted this ASU effective January 1, 2019 (for the year ended December 31, 2019).

There was no significant impact under the adoption of this ASU, due to the nature of RCF’s revenue streams.

**(k) Accounting Pronouncements Issued but Not Yet in Effect**

In February 2017, the FASB issued ASU 2017-02, *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. The updated guidance is effective for annual periods beginning after December 15, 2021. The Organization is currently assessing the impact of this pronouncement on the financial statements.

The Organization is currently assessing the impact of this pronouncement on the financial statements.

**REGIONAL COMMUNITY FINANCE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**(2) Liquidity and Availability of Resources**

The following represents the Organization's financial assets at December 31:

| Current financial assets at year end:   | <u>2019</u>         | <u>2018</u>       |
|---|---------------------|-------------------|
| Cash and cash equivalents   | \$ 284,380          | \$ 181,482        |
| Restricted cash and cash equivalents  | 11,890              | 11,890            |
| Interest and other assets   | 2,534,910           | 6,972             |
| Current portion of notes receivable   | <u>46,526</u>       | <u>14,255</u>     |
| Total financial assets  | <u>2,877,706</u>    | <u>214,599</u>    |
| Less amounts not available to be used to meet general operational expenditures within one year: |                     |                   |
| Cash restricted for specific uses   | <u>27,307</u>       | <u>20,046</u>     |
|   | <u>27,307</u>       | <u>20,046</u>     |
| Financial assets available to meet general expenditures   |                     |                   |
| over the next twelve months   | <u>\$ 2,850,399</u> | <u>\$ 194,553</u> |

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. The current note payable with Twain Community Partners II, Inc. in the amount of \$2,259,515 was paid from proceeds of the sale of historic tax credits, which is included in other assets above and on the statement of financial position, in March 2020.

**(3) Concentration of Credit Risk**

The Organization maintains its cash in bank deposit accounts at several financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2019 and 2018, the Organization's cash balances exceeded federally insured limits. The Organization has not experienced any losses, and management does not believe that credit risk exists as a result of this practice.

**REGIONAL COMMUNITY FINANCE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**(4) Notes Receivable**

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

|   | <u>2019</u>  | <u>2018</u>  |
|---|--------------|--------------|
| Note Receivable – FNBC MLK Investments, 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.  | \$ 1,947,000 | \$ 1,947,000 |
| Note Receivable – FNBC NMTC #1, LLC (Polybar Junior Leverage Loan)  |              |              |
| Note receivable for \$2,736,301 dated June 27, 2013. The note bears interest at a rate per annum of 0.731% payable quarterly beginning September 10, 2013. The note matures June 27, 2053. This note was forgiven as part of the Polybar unwind. See Note 7.  | -            | 2,736,001    |
| 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 through January 31, 2044. The note matures February 29, 2044. This note was assigned to RCF and partially forgiven during the year ended December 31, 2019. See Note 7. | 854,917      | -            |
| Note Receivable – FNBC NMTC Small Deal Fund   |              |              |
| Note receivable for \$1,337,000 dated December 22, 2014. The note bears interest at a rate per annum of 1.496% payable annually beginning December 20, 2014. The note matures December 21, 2044.  | 1,337,000    | 1,337,000    |
| 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.  | 815,124      | 830,835      |
| 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. The note matures December 5, 2038.   | 4,858,384    | 4,858,384    |

**REGIONAL COMMUNITY FINANCE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**(4) Notes Receivable (continued)**

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| 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. The note matures 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. This loan was assigned to RCF during the year ended December 31, 2019 resulting in contribution revenue in the amount of the note. | <u>1,400,000</u>     | <u>-</u>             |
| Total notes receivable   | 16,212,425           | 16,709,220           |
| Less current maturities  | <u>46,526</u>        | <u>14,255</u>        |
| Total notes receivable, less current maturities  | <u>\$ 16,165,899</u> | <u>\$ 16,694,965</u> |

During the year ended December 31, 2018, the Organization had a note receivable due from GCHP-1409 OCH, L.L.C. in the amount of \$402,548 which was advanced and forgiven in the same year.

**(5) Long-Term Debt**

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

|   | <u>2019</u>  | <u>2018</u>  |
|---|--------------|--------------|
| 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 |

**REGIONAL COMMUNITY FINANCE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**(5) Long-Term Debt (continued)**

|  | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|
| Note Payable – GCHP, Inc.  |             |             |
| Note payable with Gulf Coast Housing Partnership Inc. for \$629,486 dated June 27, 2013. The Note bears interest at an annual rate of 0%. The note matures June 27, 2023. The note is collateralized by a security interest in the Leveraged Loan and Security Agreement, Leverage Loan Note, any other loan documents or notes executed by Borrower in connection with the Leverage Loan. This note was forgiven as part of the Polybar unwind. See Note 7.   | -           | 629,486     |
| 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. | 847,184     | 1,000,000   |
| Note Payable – GCHP, Inc.  |             |             |
| Note payable with Gulf Coast Housing Partnership, Inc. for \$1,106,815 dated December 16, 2016. The note has an interest rate of 2% per annum with interest paid annually. The note matures June 27, 2053. The note is unsecured. This note was forgiven as part of the Polybar unwind. See Note 7.  | -           | 1,106,815   |
| 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     |

**REGIONAL COMMUNITY FINANCE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**(5) Long-Term Debt (continued)**

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| Note Payable – Twain Community Partners  |                      |                      |
| Note payable with Twain Community Partners II, Inc. for \$2,345,743 dated December 5, 2017. The note has an interest rate of 5.75% and matures on August 1, 2019. This note has an interest reserve stating that a portion of the loan equal to \$212,520, which is an amount determined by Lender, sufficient to pay all projected interest payments through the Maturity Date, which will be held back by Lender, and distributed by Lender to itself to apply against interest accruing under the loan when due. Interest is payable monthly beginning January 1, 2018. The note is collateralized by an assignment of the Tax Credit Certificate and repayment guarantees. This loan was paid in full in March 2020. | 2,345,743            | 2,259,515            |
| 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.  | 4,978,443            | 5,000,000            |
| Note Payable – Note B  |                      |                      |
| Note payable with Reinvestment Fund Inc. for \$2,000,000 dated December 5, 2017. The note has an interest rate of 6.25% and matures on December 5, 2019. Interest is payable quarterly in arrears. The note is collateralized by leasehold mortgage and repayment guarantees. This loan was refinanced in June 2020.   | 500,000              | 2,000,000            |
| 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.   | 1,500,000            | -                    |
| Total debt   | 12,776,733           | 14,601,179           |
| Less current maturities  | 2,435,302            | 2,259,515            |
| Less amortized debt issuance costs, net  | 35,119               | 60,132               |
| Total debt, less current maturities  | <u>\$ 10,306,312</u> | <u>\$ 12,281,532</u> |



**REGIONAL COMMUNITY FINANCE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

**(5) Long-Term Debt (continued)**

The Organization has a note payable with New Orleans Redevelopment Authority for \$500,000 dated December 5, 2017, but as of December 31, 2019 and 2018 no amounts had been drawn on the note. The note terms provide for an interest rate of 2.5% and maturity on December 5, 2037. Interest will be 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.

This loan was funded and used to settle the remaining balance of Note B (see previous page) in the amount of \$500,000 with a maturity date of December 5, 2019 in June 2020.

**(6) Related Party Transactions**

The President 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, 2019 and 2018, the Organization was charged \$6,000 for management services by GCHP-Management, LLC.

The Organization has entered into numerous notes payable and notes receivable with GCHP and subsidiaries over the normal course of business. See Notes 4 and 5. Additionally, see the description of the GCHP – PolyBar, LLC project unwind which occurred during the year ended December 31, 2019 in Note 7.

A note receivable due from GCHP-Mid City was assigned to RCF by the State of Louisiana OCD in the amount of \$1,400,000 during the year ended December 31, 2019 resulting in contribution revenue in the amount of the note.

**(7) PolyBar Unwind**

In December 2019 the New Market Tax Credit transaction compliance period ended for the GCHP – PolyBar, LLC project and the transaction was unwound. The related notes receivable and long-term debt in Note 4 and Note 5 were restructured as follows:

**Effective December 30, 2019:**

Note B in the amount of \$2,736,001 with a balance of \$2,591,218 was assigned to Regional Community Finance, Inc. ("RCF") by FNBC NMTC #1, L.L.C. The borrower on this note is GCHP PolyBar, L.L.C. In consideration of the assignment of Note B, RCF forgave the Junior Leverage Loan note receivable due from FNBC NMTC #1, LLC.

RCF then forgave a portion of the note due from Polybar in the amount of \$1,736,301 resulting in debt forgiveness expense. Subsequently, GCHP forgave notes payable due from RCF in the same amounts.

**REGIONAL COMMUNITY FINANCE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

(7) **PolyBar Unwind (continued)**

Contribution revenue of \$1,736,301 related to debt forgiveness has been presented net of this debt forgiveness expense.

(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 statement of activities in accordance with US GAAP.

Minimum future lease payments as of December 31, 2019, are as follows:

| <u>Year ended December 31,</u> | <u>Minimum Rent</u>  |
|--------------------------------|----------------------|
| 2020                           | \$ 571,000           |
| 2021                           | 571,000              |
| 2022                           | 571,000              |
| 2023                           | 571,000              |
| 2024                           | 571,000              |
| Thereafter                     | 14,845,322           |
|                                | <u>\$ 17,700,322</u> |

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.

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 Statement 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 \$208,725 for the year ended December 31, 2019.

**REGIONAL COMMUNITY FINANCE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

(8) **Operating Leases (continued)**

Future minimal rental receipts under the lease are as follows:

| <u>Year ended December 31,</u> | <u>Minimum Rent</u> |
|--------------------------------|---------------------|
| 2020                           | \$ 626,172          |
| 2021                           | 626,172             |
| 2022                           | 626,172             |
| 2023                           | 626,172             |
| 2024                           | 626,172             |
| Thereafter                     | 2,922,136           |
|                                | <u>\$ 6,052,996</u> |

(9) **Subsequent Events**

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting employment, federal funding, supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on RCF’s financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on RCF’s tenants, projects, funding streams, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact GRCF’s financial condition or results of operations is uncertain.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 23, 2020, and determined that there were no other events that required additional disclosure. No events after this date have been evaluated for inclusion in these financial statements.

**REGIONAL COMMUNITY FINANCE, INC.**  
**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS**  
**TO CHIEF EXECUTIVE OFFICER**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Kathy Laborde, President of the Board of Directors**

| Purpose                                | Amount      |
|--|-------------|
| Salary                                 | \$ -        |
| Benefits-insurance                     | -           |
| Benefits-retirement                    | -           |
| Benefits                               | -           |
| Car allowance                          | -           |
| Vehicle provided by government         | -           |
| Per diem                               | -           |
| Reimbursements                         | -           |
| Travel                                 | -           |
| Registration fees                      | -           |
| Conference travel                      | -           |
| Continuing professional education fees | -           |
| Housing                                | -           |
| Unvouchered expenses                   | -           |
| Special meals                          | -           |
|  | <u>\$ -</u> |

Regional Community Finance, Inc. does not meet the requirement to report the total compensation, reimbursements, and benefits paid to the President of the Board of Directors as these costs are not paid from public funds.

See accompanying independent auditors' report.