

**UNITY OF GREATER NEW ORLEANS, INC.**  
**AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**



**ERICKSEN KRENTEL<sup>LLP</sup>**  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Governing Board of  
UNITY of Greater New Orleans, Inc. and Subsidiaries  
New Orleans, Louisiana

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of UNITY of Greater New Orleans, Inc. and Subsidiaries (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 financial position of UNITY of Greater New Orleans, Inc. and Subsidiaries as of June 30, 2018, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



To the Governing Board of  
UNITY of Greater New Orleans, Inc. and Subsidiaries  
New Orleans, Louisiana

***Prior Period Financial Statements***

The financial statements of UNITY of Greater New Orleans, Inc. and Subsidiaries as of June 30, 2017 were audited by other auditors whose report dated December 21, 2017 expressed an unmodified opinion on those statements.

***Other Matters***

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of UNITY of Greater New Orleans, Inc. and Subsidiaries as a whole. The supplementary information contained in Schedules "1" through "3" is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 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 information 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 December 21, 2018, on our consideration of UNITY of Greater New Orleans, Inc. and Subsidiaries' 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 UNITY of Greater New Orleans, Inc. and Subsidiaries' internal control over financial reporting and compliance.

December 21, 2018  
New Orleans, Louisiana

Certified Public Accountants

## **FINANCIAL STATEMENTS**

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash and cash equivalents	\$ 1,768,192	\$ 1,495,129
Grants receivable	3,230,144	3,108,677
Tenant receivables, net	29,855	33,484
Other receivables	156,177	31,330
Prepaid expenses	199,580	172,976
Restricted cash and funded reserves	<u>591,278</u>	<u>1,219,230</u>
 Total current assets	 <u>5,975,226</u>	 <u>6,060,826</u>
<b><u>PROPERTY AND EQUIPMENT, NET</u></b>		
	<u>31,511,434</u>	<u>32,631,928</u>
<b><u>OTHER ASSETS:</u></b>		
Syndication costs	50,000	50,000
Deposits	<u>11,000</u>	<u>11,000</u>
 Total other assets	 <u>61,000</u>	 <u>61,000</u>
 Total assets	 <u>\$ 37,547,660</u>	 <u>\$ 38,753,754</u>
<b><u>CURRENT LIABILITIES:</u></b>		
Accounts payable	\$ 273,847	\$ 336,111
Accrued liabilities	295,051	229,680
Construction and developers fee payable	81,250	81,250
Tenant deposits	118,380	121,386
Deferred revenue	2,454	620,766
Lines of credit	70,375	220,375
Current portion of long-term debt	-	19,133
Payments due to subrecipients	<u>2,677,411</u>	<u>2,339,661</u>
 Total current liabilities	 <u>3,518,768</u>	 <u>3,968,362</u>
<b><u>LONG-TERM DEBT, NET OF</u></b>		
<b><u>CURRENT PORTION</u></b>	<u>15,478,947</u>	<u>15,893,063</u>
 Total liabilities	 <u>18,997,715</u>	 <u>19,861,425</u>
<b><u>NET ASSETS:</u></b>		
Unrestricted		
Controlling interest	12,582,774	12,685,699
Non-controlling interest	5,787,986	6,128,103
Temporarily restricted	<u>179,185</u>	<u>78,527</u>
 Total net assets	 <u>18,549,945</u>	 <u>18,892,329</u>
 Total liabilities and net assets	 <u>\$ 37,547,660</u>	 <u>\$ 38,753,754</u>

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>REVENUE:</u></b>			
Grants - government	\$ 25,314,430	\$ -	\$ 25,314,430
Contributions	112,551	191,625	304,176
Rental income	1,617,965	-	1,617,965
Annual reduction of LHC note payable	426,667	-	426,667
Other revenues	241,940	-	241,940
Net assets released from restrictions	90,967	(90,967)	-
	<u>27,804,520</u>	<u>100,658</u>	<u>27,905,178</u>
<b><u>EXPENSES:</u></b>			
Program services	25,052,754	-	25,052,754
Supportive services:			
General and administrative	3,169,868	-	3,169,868
Fundraising	24,940	-	24,940
	<u>28,247,562</u>	<u>-</u>	<u>28,247,562</u>
Change in net assets	(443,042)	100,658	(342,384)
Net assets, beginning of year	<u>18,813,802</u>	<u>78,527</u>	<u>18,892,329</u>
Net assets, end of year	<u>\$ 18,370,760</u>	<u>\$ 179,185</u>	<u>\$ 18,549,945</u>

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b><u>REVENUE:</u></b>			
Grants - government	\$ 21,269,510	\$ -	\$ 21,269,510
Contributions	253,618	147,707	401,325
Rental income	1,620,643	-	1,620,643
Annual reduction of LHC note payable	426,667	-	426,667
Other revenues	421,712	-	421,712
Net assets released from restrictions	74,972	(74,972)	-
Total revenue	24,067,122	72,735	24,139,857
<b><u>EXPENSES:</u></b>			
Program services	20,533,089	-	20,533,089
Supportive services:			
General and administrative	2,863,829	-	2,863,829
Fundraising	27,661	-	27,661
Total expenses	23,424,579	-	23,424,579
Change in net assets	642,543	72,735	715,278
Net assets, beginning of year	18,171,259	5,792	18,177,051
Net assets, end of year	\$ 18,813,802	\$ 78,527	\$ 18,892,329

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries	\$ 870,646	\$ 899,986	\$ 8,455	\$ 1,779,087
Fringe benefits and payroll taxes	292,669	250,222	2,277	545,168
Total salaries and related expenses	<u>1,163,315</u>	<u>1,150,208</u>	<u>10,732</u>	<u>2,324,255</u>
Conferences, conventions and meetings	8,180	26,724	-	34,904
Contracts - subrecipients	12,966,664	-	-	12,966,664
Interest expense	-	19,669	-	19,669
Client assistance	9,005,327	-	-	9,005,327
Membership dues	-	2,113	-	2,113
Warehouse and moving truck expense	26,282	-	-	26,282
Miscellaneous	17,092	6,891	-	23,983
Property operations and maintenance	1,455,421	485,140	-	1,940,561
Occupancy	87,419	-	-	87,419
Telephone	7,005	11,235	-	18,240
Property insurance and taxes	172,924	57,642	-	230,566
Office expenses and supplies	38,104	87,563	-	125,667
Fundraising	-	-	14,208	14,208
Professional fees	89,932	202,189	-	292,121
Bad debt	15,089	-	-	15,089
Depreciation	-	1,120,494	-	1,120,494
Total functional expenses	<u>\$ 25,052,754</u>	<u>\$ 3,169,868</u>	<u>\$ 24,940</u>	<u>\$ 28,247,562</u>

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries	\$ 806,863	\$ 759,400	\$ 15,821	\$ 1,582,084
Fringe benefits and payroll taxes	254,622	239,645	4,993	499,260
Total salaries and related expenses	1,061,485	999,045	20,814	2,081,344
Conferences, conventions and meetings	-	29,152	-	29,152
Contracts - subrecipients	9,642,089	-	-	9,642,089
Interest expense	2,337	34,884	-	37,221
Client assistance	7,718,590	-	-	7,718,590
Membership dues	-	1,429	-	1,429
Warehouse and moving truck expense	24,803	-	-	24,803
Miscellaneous	29,377	-	-	29,377
Property operations and maintenance	1,552,033	517,344	-	2,069,377
Occupancy	91,151	-	-	91,151
Telephone	9,722	8,974	-	18,696
Property insurance and taxes	169,809	56,603	-	226,412
Office expenses and supplies	5,920	93,151	-	99,071
Fundraising	-	-	6,847	6,847
Professional fees	142,817	21,239	-	164,056
Bad debt	82,956	-	-	82,956
Depreciation	-	1,102,008	-	1,102,008
Total functional expenses	\$ 20,533,089	\$ 2,863,829	\$ 27,661	\$ 23,424,579

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ (342,384)	\$ 715,278
Adjustments to reconcile change in net assets to net cash from (used in) operating activities:		
Depreciation expense	1,120,494	1,102,008
Amortization expense	12,551	13,694
Annual reduction in LHC note payable	(426,667)	(426,667)
Bad debt	15,089	82,956
(Increase) decrease in:		
Grant receivables	(121,467)	47,302
Tenant receivables	(11,460)	(17,206)
Other receivables	(124,847)	(11,082)
Prepaid expenses	(26,604)	16,743
Deposits	-	2,500
Increase (decrease) in:		
Accounts payable	(62,264)	(198,778)
Accrued liabilities	65,371	229,680
Construction and developers fee payable	-	(415,330)
Tenant deposits	(3,006)	(4,840)
Deferred revenue	(618,312)	61,986
Payments due to subrecipients	<u>337,750</u>	<u>(65,726)</u>
Net cash from (used in) operating activities	<u>(185,756)</u>	<u>1,132,518</u>
<b><u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</u></b>		
Net change in restricted cash and funded reserves	627,952	(214,707)
Purchase of property and equipment	<u>-</u>	<u>(81,949)</u>
Net cash from (used in) investing activities	<u>627,952</u>	<u>(296,656)</u>
<b><u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</u></b>		
Borrowings on lines of credit	-	360,000
Repayments on lines of credit	(150,000)	(656,708)
Proceeds from long-term debt	-	464,541
Principal payments on long-term debt	<u>(19,133)</u>	<u>(185,500)</u>
Net cash (used in) financing activities	<u>(169,133)</u>	<u>(17,667)</u>
Net increase in cash and cash equivalents	273,063	818,195
Cash and cash equivalents at beginning of year	<u>1,495,129</u>	<u>676,934</u>
Cash and cash equivalents at end of year	<u>\$ 1,768,192</u>	<u>\$ 1,495,129</u>

See accompanying NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

UNITY of Greater New Orleans, Inc. and Subsidiaries (UNITY) is a nonprofit corporation organized under the laws of the State of Louisiana. UNITY's mission is to coordinate partnerships to reduce, end, and prevent homelessness.

The subsidiaries were formed to acquire, develop, construct, and maintain housing for very low, low, and moderate income individuals and families.

**Consolidated Financial Statements**

The financial statements have been consolidated to include all accounts of UNITY and subsidiaries.

UNITY's wholly owned subsidiaries include the following:

- UNITY Housing, Inc., a nonprofit Louisiana corporation
- 2222 Tulane Avenue Apartments Nonprofit, Inc. (2222 Tulane)
- 3222 Canal Apartments Nonprofit, Inc. (3222 Canal)
- 2101 Louisiana Avenue, LLC which has as its managing member, UNITY 2101 Louisiana Avenue, LLC, which has UNITY of Greater New Orleans, Inc. as its sole and managing member

During UNITY's year ended June 30, 2017, the following other entities also existed up until their point of conversion or dissolution as noted:

- 2222 Tulane Apartments, LLC converted to 2222 Tulane Apartments, Inc. on December 28, 2016, which then converted to 2222 Tulane Avenue Apartments Nonprofit, Inc. on December 28, 2016
- UNITY 2222 Tulane Avenue, LLC, the sole and managing member of 2222 Tulane Apartments, LLC, dissolved as of December 19, 2016
- 3222 Canal Apartments, LLC converted to 3222 Canal Apartments, Inc. on December 19, 2016, which then converted to 3222 Canal Apartments Nonprofit, Inc. on December 19, 2016
- UNITY 3222 Canal Street, LLC, the sole and managing member of 3222 Canal Apartments, LLC, dissolved on December 19, 2016.

On July 29, 2016, all assets, liabilities, net assets, and ownership interests of 2222 Tulane Apartments, LLC were transferred to UNITY Housing, Inc. This has no effect on previously presented assets, liabilities, and net assets. On July 29, 2016, all assets, liabilities, net assets, and ownership interests of 3222 Canal Apartments, LLC were transferred to UNITY Housing, Inc. This has no effect on previously presented assets, liabilities, and net assets.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018 AND 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Consolidated Financial Statements (continued)**

The following partnership has been consolidated based on UNITY's effective control as managing member:

- 0.01% interest of 2101 Louisiana Apartments, LLC (2101 Louisiana)

All significant intercompany balances and transactions have been eliminated in consolidation.

**Basis of Accounting**

The consolidated financial statements have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when incurred.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Basis of Presentation**

UNITY reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net assets of the restricted class are created by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class.

**Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, cash and cash equivalents include demand deposits and highly liquid investments with an initial maturity of three months or less.

**Restricted Cash and Funded Reserves**

Restricted cash and funded reserves consist of balances in cash accounts that are required by grant, loan, and operating agreements.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018 AND 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Receivables**

Receivables consist of grants receivable and tenant receivables for rent and security deposits. UNITY provides an allowance for doubtful accounts based on management's estimate of the collectability of receivables. At June 30, 2018 and 2017, no allowance for grants receivable was deemed necessary by management and the allowance for tenant receivables amounted to \$79,157 and \$117,635, respectively.

**Property and Equipment**

UNITY records property and equipment at cost. It is the policy of UNITY to capitalize all property and equipment with an acquisition cost in excess of \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	20-40 years
Transportation equipment	5 years
Furniture and fixtures	5-10 years

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in temporarily restricted net assets. UNITY reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense related to the donated property.

**Debt Issuance Costs**

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the interest method.

**Revenue Recognition**

Contributed support that is restricted by the donor is reported as increases in unrestricted net assets if the restrictions expire (that is, when stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018 AND 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (continued)**

Grant revenue is recognized as it is earned in accordance with approved agreements and contracts. Grants that contain certain compliance recapture provisions are recognized over the term of the compliance period or at the end of the compliance period, depending on the agreement.

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between UNITY 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 accounts receivable consists of amounts due for rental income, other tenant charges and charges for damages and cleaning fees in excess of forfeited security deposits. Interest is not accrued on the tenant accounts receivable balances.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities of UNITY have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates developed by management studies.

**Donated Services**

Volunteers have donated their time and services to UNITY during the years ended June 30, 2018 and 2017. No amounts are reflected in the consolidated financial statements for such services as they do not meet the criteria for recognition under FASB-ASC 958-605-50-1, *Accounting for Contributions Received and Contributions Made*.

**Subsequent Events**

Subsequent events have been evaluated through December 21, 2018, which is the date the financial statements were available to be issued.

**(2) SUPPLEMENTAL CASH FLOW INFORMATION**

Cash paid for interest during the years ended June 30, 2018 and 2017 totaled \$7,343 and \$28,387, respectively.

Non-cash financing activities for the years ended June 30, 2018 and 2017, consist of \$426,667 of annual scheduled debt forgiveness for each year by LHC, formerly LA Housing Finance Agency, for the 1602 Act of Mortgage disclosed in Note 7.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2018 AND 2017

**(3) RESTRICTED CASH AND FUNDED RESERVES**

**Operating Reserves**

In accordance with the Community Development Block Grant (CDBG) Piggyback Program Gap Financing Loan Agreement, 2222 Tulane is required to establish an Operating Reserve in the amount of \$120,000. In February 2016, the Office of Community Development (OCD) closed out the Subsidy Layering Review for 2222 Tulane with an additional requirement that the Operating Reserve amount be increased and funded at \$260,000 based on six months of expenses. The OCD closed out funding in January 2017 when \$379,500 was deposited to the original 2222 Tulane account, which included the \$260,000 in Operating Reserve. The \$260,000 is still maintained within this account.

At that time of the closing, OCD also imposed these requirements: (1) the operating reserve must be held by a third party acceptable to OCD (it is not acceptable for the borrow or management agent to hold the funds); (2) OCD's prior written approval is required prior to making any withdrawal; (3) withdrawals will be limited to covering negative surplus cash, as measured by a Surplus Cash computation acceptable to OCD (this computation can be made at any time, not just as of December 31); and (4) once the reserve is no longer required by LHC, the balance must be used to repay the Gap Financing Loan.

The ownership of 2222 Tulane is to be transferred from UNITY Housing, Inc., the current non-profit owner (non-profit ownership for purposes of exemption from property taxes), to 2222 Tulane Avenue Apartments Nonprofit, Inc. (process in works for tax exemption status under Section 501(c)(3) retroactive to date of formation in December 2016), effective January 1, 2019. Once the property's ownership is transferred on January 1, 2019, the process to open new checking accounts under the new ownership will begin for which funds in existing accounts will be transferred to the applicable matching checking accounts under the new ownership name with the addition of a new Operating Reserve Account for which the \$260,000 in Operating Reserves will be maintained separately. Foley & Judell, the Asset Manager for the 2222 Tulane Property on behalf of the LHC, has been approved to act as the third party to oversee the Operating Reserve Account once opened.

As of June 30, 2018 and 2017, the aforementioned 2222 Tulane checking account had a balance of \$592,473 and \$656,960, respectively, of which, \$260,000 of those amounts is/was maintained as the amount required for the Operating Reserve.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2018 AND 2017

**(3) RESTRICTED CASH AND FUNDED RESERVES (CONTINUED)**

**Operating Reserves (continued)**

In accordance with the Operating Agreement, 2101 Louisiana is required to establish and maintain an Operating Deficit Reserve Account in an amount equal to the greater of \$175,000, or an amount equal to six months of operating expenses. The Operating Deficit Reserve Account shall be held in a dual signature bank account of 2101 Louisiana requiring the signature of the Managing Members and the Administrative Member. At June 30, 2018 and 2017, the Operating Deficit Reserve Account was in the amount of \$164,752 and \$175,678, respectively. The funding requirements on this account are on an annual basis at December 31, which is 2101 Louisiana's year end. The reduction from 2017 to 2018 was due to a withdrawal by the Investment Member on behalf of the property. The Investment Member has not requested the account be replenished to \$175,000.

**Replacement Reserves**

In accordance with the CDBG Piggyback Program Gap Financing Loan Agreement and the 1602 Replacement Reserve Agreement, 2222 Tulane is required to establish the Replacement Reserve in the initial amount of \$0 and, thereafter, in the amount of \$1,500 per month, or \$18,000 per year, commencing on the first month in which the project is placed in service (April 12, 2012). At June 30, 2018 and 2017, the Replacement Reserve balance amounted to \$106,565 and \$93,065, respectively. This account was not adequately funded at June 30, 2018 and 2017. The funding requirements on this account are on an annual basis at December 31, which is 2222 Tulane's year end. UNITY intends to have this account fully funded by December 31, 2018.

In accordance with the Operating Agreement, 2101 Louisiana is required to establish and maintain a Replacement Reserve Account to be funded on a monthly basis commencing in the month following the month in which completion occurs at an annual rate equal to the greater of (a) \$300 per apartment unit, or (b) that required by the Permanent Lender. At June 30, 2018 and 2017, the Replacement Reserve balance amounted to \$37,119 and \$35,759, respectively. This account was not adequately funded at June 30, 2018 and 2017. The funding requirements on this account are on an annual basis at December 31, which is 2101 Louisiana's year end. UNITY intends to have this account fully funded by December 31, 2018 if cash flow is available to transfer from the operating account, which will be determined in the last week of December 2018.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018 AND 2017**

**(3) RESTRICTED CASH AND FUNDED RESERVES (CONTINUED)**

**Shelter + Care Overhang Reserve**

In accordance with Section 4.6 of the Operating Agreement, the Managing Member of 2101 Louisiana shall cause 2101 Louisiana to establish a shelter + care overhang reserve (the "Shelter and Care Overhang Reserve Account") in the amount of \$123,000. The Shelter and Care Overhang Reserve Account shall be funded in full from the Investor Member Contribution made pursuant to Section 3.4D of the Operating Agreement. If at any time during the Compliance Period the Rental Assistance Contract is not renewed, or is otherwise terminated or funding is reduced, the Managing Member shall be entitled to withdraw funds from such account with the Consent of the Administrative Member to cover any operating shortfalls and/or re-tenant the Apartment Complex, if needed. Upon the expiration of the Compliance Period, the unused balance (including any accrued interest thereon) of the Shelter and Care Overhang Reserve Account shall be released as Cash Flow and distributed in accordance with Section 9.2A of the Operating Agreement. At June 30, 2018 and 2017, the Shelter and Care Overhang Reserve Account had a balance of \$123,784 and \$123,463, respectively. This account was adequately funded at June 30, 2018 and 2017.

**Supportive Services Reserve**

In accordance with Section 4.7 of the Operating Agreement, the Managing Member of 2101 Louisiana shall cause 2101 Louisiana to establish a supportive services reserve account (the "Supportive Services Reserve Account") in the amount of \$51,610. The Supportive Services Reserve Account shall be funded in full from the Investor Member Contribution made pursuant to Section 3.4D of the Operating Agreement or other available funds. The Managing Member shall be entitled to withdraw funds from such account to fund the costs of social services required pursuant to Section 5.10 of the Operating Agreement with the Consent of the Administrative Member which shall not be unreasonably withheld, conditioned or delayed. Upon the expiration of the Compliance Period, the unused balance (including any accrued interest thereon) of the Supportive Services Reserve Account shall be released first to pay any outstanding amounts owed to the Investor Member and/or Administrative Member under any provision of the Operating Agreement, and thereafter to the Managing Member as payment of a tax credit compliance and operating deficit guaranty fee. At June 30, 2018 and 2017, the Supportive Services Reserve Account had a balance of \$51,874 and \$51,740, respectively. This account was adequately funded at June 30, 2018 and 2017.

**Tenants' Security Deposits**

Tenants' security deposits are held in a restricted cash account for each property. At June 30, 2018 and 2017, the account balances of \$130,681 and \$136,965, respectively, were funded in excess of security deposit liability.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2018 AND 2017

**(4) GRANTS RECEIVABLE**

Grants receivable at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Department of Housing and Urban Development	\$ 2,939,230	\$ 2,899,484
Department of Health and Human Services	<u>290,914</u>	<u>209,193</u>
	<u>\$ 3,230,144</u>	<u>\$ 3,108,677</u>

**(5) PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 35,634,725	\$ 35,634,725
Transportation equipment	133,954	133,954
Furniture and fixtures	<u>1,684,361</u>	<u>1,684,361</u>
	37,453,040	37,453,040
Less: accumulated depreciation	<u>(7,116,562)</u>	<u>(5,996,068)</u>
Net depreciable property and equipment	30,336,478	31,456,972
Land	<u>1,174,956</u>	<u>1,174,956</u>
Net property and equipment	<u>\$ 31,511,434</u>	<u>\$ 32,631,928</u>

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$1,120,494 and \$1,102,008, respectively.

**(6) REVOLVING LINE OF CREDIT**

UNITY obtained an additional revolving line of credit from Hope Federal Credit Union in the amount of \$750,000 that is utilized for working capital needs. At June 30, 2018 and 2017, the outstanding balance was \$70,375 and \$220,375, respectively. Interest on outstanding balance accrues at a rate equal to the Prime Rate, currently 4.75%, and is payable monthly. The credit line matures on March 31, 2019, at which time any outstanding principal and accrued interest are payable in full. Interest costs incurred and charged to expense on the line of credit for the years ended June 30, 2018 and 2017 totaled \$6,927 and \$14,855, respectively.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2018 AND 2017

**(7) LONG-TERM DEBT**

Long-term debt consists of the following at June 30, 2018 and 2017:

	2018	2017
<u>Note Payable – UNITY</u>		
Note payable to bank due January 2018, with a 6.8% interest rate. Monthly payments of \$3,058, including interest. Collateralized by land and building located on MLK/LaSalle.	\$ -	\$ 19,133
 <u>Forgivable Note Payable – UNITY</u>		
\$1,000,000 direct subsidy from Federal Home Loan Bank of Atlanta with an interest rate of 0% per annum; Principal due only upon event of recapture; Note is forgivable April 2029 after maintaining compliance with the Bank's Affordable Housing Program for 15 years subsequent to completion of construction of the apartment building located at 2101 Louisiana Avenue.	1,000,000	1,000,000
 <u>Forgivable Note Payable – 3222 Canal</u>		
Note payable to Gulf Coast Housing Partnership (HOME Funds) with an interest rate of 0% per annum; Principal due only upon default under HOME regulatory agreement; Note is forgivable February 2030 after maintaining compliance for 15 years subsequent to completion of construction of the property located at 3222 Canal Street.	1,000,000	1,000,000
 <u>Forgivable Note Payable – 3222 Canal</u>		
Note payable to Gulf Coast Housing Partnership (FHLB AHP) with an interest rate of 0% per annum; Principal due only upon recapture event; Note is forgivable February 2030 after maintaining compliance with the Bank's Affordable Housing Program for 15 years subsequent to completion of construction of the property located at 3222 Canal Street.	1,000,000	1,000,000
 <u>Forgivable Note Payable – 2222 Tulane</u>		
\$862,600 HOME award from LHC, formerly LA Housing Finance Agency with a 0% interest rate. Principal is payable annually to the extent of surplus cash approved by LHC. Due and payable upon noncompliance with the regulatory agreement or April 2046. The loan is collateralized by the property located at 2222 Tulane Avenue.	862,600	862,600

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2018 AND 2017

**(7) LONG-TERM DEBT (CONTINUED)**

	<u>2018</u>	<u>2017</u>
<u>Forgivable Note Payable – 2222 Tulane</u>		
\$7,590,000 gap financing loan from State of Louisiana, Division of Administration, Office of Community Development with a 0% interest rate. Beginning July 1, 2013, annual installments of the sum of 1/3 of the first \$60,000 of surplus cash, plus 2/3 of surplus cash in excess of \$60,000. Loan matures upon default/noncompliance or December 10, 2045. The loan is collateralized by the property located at 2222 Tulane Avenue.	7,474,783	7,474,783
<u>Forgivable Note Payable – 2222 Tulane</u>		
\$6,400,000 sub award investment agreement from LHC, formerly LA Housing Finance Agency with a 0% interest rate. The note shall mature on the earliest of (i) recapture event; (ii) default under permanent loan; (iii) June 30, 2026. Note is reduced annually over 15 years (\$426,667 per year) if no recapture event occurs. The note is collateralized by the property located at 2222 Tulane Avenue.	<u>4,266,665</u>	<u>4,693,332</u>
Total debt	15,604,048	16,049,848
Less amount due in one year	(-)	(19,133)
Less unamortized debt issuance costs	<u>(125,101)</u>	<u>(137,652)</u>
Total long-term debt	<u>\$ 15,478,947</u>	<u>\$ 15,893,063</u>

Interest incurred and charged to expense on the above notes totaled \$1,223 and \$13,532 for the years ended June 30, 2018 and 2017, respectively, which is included in interest expense on the consolidated statements of activities.

The aggregate maturities of long-term debt consist of the following at June 30:

2019	\$	-
Loans based on cash flow		8,337,383
Forgivable loans		<u>7,266,665</u>
		<u>\$ 15,604,048</u>

Loans based on cash flow are loans whereby interest is paid out of surplus cash or available cash flow. Forgivable loans are forgivable over time or certain milestones obtained specified by the loan agreements.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2018 AND 2017

**(8) TEMPORARILY RESTRICTED NET ASSETS AND FEDERAL AWARDS**

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Baronne property	\$ 4,258	\$ 4,258
Client assistance	81,350	21,359
Occupancy	-	3,790
Personnel	11,156	420
Planning and coordination	103	23,874
Subgrantees	<u>82,318</u>	<u>24,826</u>
	<u>\$ 179,185</u>	<u>\$ 78,527</u>

The following temporarily restricted net assets were release from restrictions during the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Client assistance	\$ 21,895	\$ 8,932
Occupancy	3,790	4,590
Personnel	21,253	10,150
Planning and coordination	41,521	16,126
Subgrantees	<u>2,508</u>	<u>35,174</u>
	<u>\$ 90,967</u>	<u>\$ 74,972</u>

UNITY participates in a number of state and federally-assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. UNITY's management believes that the amount of disallowances, if any, which may arise from future audits, will not be material.

**(9) NONCONTROLLING INTEREST**

The following table reconciles the changes in unrestricted net assets attributable to the noncontrolling interest (investor) for 2101 Louisiana:

	<u>Total</u>	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>
Balance June 30, 2016	\$ 18,171,259	\$ 11,806,075	\$ 6,365,184
Net income (loss)	<u>642,543</u>	<u>879,624</u>	<u>(237,081)</u>
Balance June 30, 2017	\$ 18,813,802	\$ 12,685,699	\$ 6,128,103
Net income (loss)	<u>(443,042)</u>	<u>(102,925)</u>	<u>(340,117)</u>
Balance June 30, 2018	<u>\$ 18,370,760</u>	<u>\$ 12,582,774</u>	<u>\$ 5,787,986</u>

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018 AND 2017**

**(10) INCOME TAXES**

UNITY and UNITY Housing, Inc. are exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and have been classified as organizations other than a private foundation under Section 509(a)(2). The remaining subsidiary LLC's, except 2101 Louisiana, are disregarded entities under IRS guidelines and therefore their operations are considered by the IRS as tax exempt under the provisions of IRC Section 501(c)(3). Therefore, the subsidiary LLC's activities, except 2101 Louisiana, are reported in UNITY's annual Form 990 filing. 2101 Louisiana files a separate partnership return.

UNITY's evaluation as of June 30, 2018 and 2017 revealed no tax positions that would have a material impact on the financial statements. The 2015 through 2017 tax years remain subject to examination by the IRS. UNITY does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

**(11) RETIREMENT PLAN**

UNITY sponsors a defined contribution retirement plan covering all employees twenty-one years or older who have worked a minimum of six months. UNITY decides the amount, if anything, to contribute each year to the individual retirement accounts for the eligible employees based on a percentage of annual compensation. The Board of Directors approved a contribution of \$82,592 and \$82,671 for the years ended June 30, 2018 and 2017, respectively.

**(12) COMMITMENTS**

**Leases**

UNITY leases its administrative facility under an operating lease requiring monthly payments of \$5,075 through July 31, 2017. UNITY is currently renegotiating this lease and is currently leasing on a month-to-month basis. UNITY leases warehouse space on a month-to-month basis. Rental expense for the years ended June 30, 2018 and 2017 totaled \$66,737 and \$67,099, respectively.

**Developer Fees**

2222 Tulane, 2101 Louisiana, and 3222 Canal entered into a Co-Developer Agreement for the development of each apartment building. Included in construction and developer fee payable on the consolidated statement of financial position is \$81,250 of unpaid developer fees at June 30, 2018 and 2017.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018 AND 2017**

**(12) COMMITMENTS (CONTINUED)**

**Management Fees**

2222 Tulane, 2101 Louisiana, and 3222 Canal entered into a Management Agreement with HRI Management Corporation requiring monthly payments of the greater of \$7,500 (\$2,500 per property) or 6% of gross revenues. The term of each agreement is for one year. Unpaid management fees, which are included in accounts payable on the consolidated statements of financial position, amounted to \$7,981 and \$37,542 at June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, management fees incurred totaled \$87,561 and \$134,106, respectively

**(13) RELATED PARTY TRANSACTIONS**

For the year ended June 20, 3018, one UNITY director was employed by the City of New Orleans, which provided UNITY with \$619,133 in pass-through federal funds for UNITY's Substance Abuse and Mental Health Services Administration program.

**(14) BOARD OF DIRECTORS COMPENSATION**

The Board of Directors is a voluntary board; therefore no compensation was paid to any board member during the years ended June 30, 2018 and 2017.

**(15) CONCENTRATIONS OF CREDIT RISKS**

UNITY maintains its cash in bank deposit accounts at various financial institutions. The balances at times may exceed federally insured limits. At June 30, 2018 and 2017, UNITY had \$1,074,338 and \$1,918,101, respectively, of cash in excess of amounts covered by the Federal Deposit Insurance Corporation. UNITY has not experienced any losses in these accounts.

The subsidiary LLCs' operations are concentrated in the low-income real estate market. In addition, the LLCs operate in a heavily regulated environment subject to administrative directives, rules, and regulations of federal and state regulatory agencies, including but not limited to, the state housing finance authority.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018 AND 2017**

**(16) ECONOMIC DEPENDENCY**

UNITY receives the majority of its revenue from funds provided through direct grants from the U.S. Department of Housing and Urban Development, the U.S. Department of Health and Human Services and pass-through grants through the State of Louisiana and the City of New Orleans. The grant amounts are appropriated each year by the federal government. If significant budget cuts are made at the federal level, the amount of funds UNITY receives could be reduced significantly and have an adverse impact on its operations. As of the report date, management was not aware of any actions taken that would adversely affect the amount of funds to be received in the next fiscal year. UNITY's support through federal grants totaled approximately 91% and 88% of revenue for the years ended June 30, 2018 and 2017, respectively.

**(17) NEW ACCOUNTING PRONOUNCEMENT**

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-14, "*Not-for-Profit Entities (NFPs)*." This Update makes several improvements to current reporting requirements that address, among others, the following problems: (1) complexities about the use of the currently required three classes of net assets that focus on the absence or presence of donor-imposed restrictions and whether those restrictions are temporary or permanent; (2) deficiencies in the transparency and utility of information useful in assessing an entity's liquidity caused by potential misunderstandings and confusion about the term unrestricted net assets and how restrictions or limits imposed by donors, grantors, laws, contracts, and governing boards affect an entity's liquidity, classes of net assets, and financial performance; (3) inconsistencies in the type of information provided about expenses of the period—for example, some, but not all, NFPs provide information about expenses by both nature and function; and (4) impediment of preparing the indirect method reconciliation if an NFP chooses to use the direct method of presenting operating cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. UNITY plans to adopt this Update as applicable by the effective date.

**(18) RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to current year presentation.

## **SUPPLEMENTARY INFORMATION**

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**  
**JUNE 30, 2018**

	UNITY of Greater New Orleans, Inc.	UNITY Housing, Inc.	2101 Louisiana Apartments, LLC	2222 Tulane Apartments Nonprofit, Inc.	3222 Canal Apartments Nonprofit, Inc.	Eliminations	Total
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents	\$ 701,153	\$ 13,173	\$ 47,859	\$ 722,805	\$ 283,202	\$ -	\$ 1,768,192
Grants receivable	3,230,144	-	-	-	-	-	3,230,144
Tenant receivables, net	-	-	11,676	9,756	8,423	-	29,855
Other receivables	156,177	-	-	-	-	-	156,177
Prepaid expenses	826	-	73,294	68,658	56,802	-	199,580
Due from affiliates	171,330	216,105	62,941	29,087	50,537	(530,000)	-
Restricted cash and funded reserves	(23,497)	-	407,047	147,408	60,320	-	591,278
Total current assets	4,236,133	229,278	602,817	977,714	459,284	(530,000)	5,975,226
<b>PROPERTY AND EQUIPMENT, NET</b>	1,905,418	-	9,369,463	13,576,279	6,689,815	(29,541)	31,511,434
<b>OTHER ASSETS:</b>							
Note receivable	3,186,887	-	-	-	-	(3,186,887)	-
Syndication costs	-	-	50,000	-	-	-	50,000
Deposits	-	11,000	-	-	-	-	11,000
Investment in affiliate	865,000	-	-	-	-	(865,000)	-
Total other assets	4,051,887	11,000	50,000	-	-	(4,051,887)	61,000
Total assets	\$ 10,193,438	\$ 240,278	\$ 10,022,280	\$ 14,553,993	\$ 7,149,099	\$ (4,611,428)	\$ 37,547,660
<b>CURRENT LIABILITIES:</b>							
Accounts payable	\$ 51,239	\$ 5,064	\$ 48,101	\$ 8,494	\$ 160,949	\$ -	\$ 273,847
Accrued liabilities	107,672	-	107,791	70,290	35,900	(26,602)	295,051
Construction and developers fee payable	-	-	56,233	-	81,250	(56,233)	81,250
Tenant deposits	-	-	21,286	40,263	56,831	-	118,380
Deferred revenue	-	-	368	1,524	562	-	2,454
Due to affiliates	358,670	2,707	4,637	3,799	77,352	(447,165)	-
Lines of credit	70,375	-	-	-	-	-	70,375
Current portion of long-term debt	-	-	-	-	-	-	-
Payments due to subrecipients	2,677,411	-	-	-	-	-	2,677,411
Total current liabilities	3,265,367	7,771	238,416	124,370	412,844	(530,000)	3,518,768
<b>LONG-TERM DEBT, NET</b>	1,000,000	-	3,131,042	12,534,792	2,000,000	(3,186,887)	15,478,947
Total liabilities	4,265,367	7,771	3,369,458	12,659,162	2,412,844	(3,716,887)	18,997,715
<b>NET ASSETS:</b>							
Unrestricted							
Controlling interest	5,748,886	232,507	864,836	1,894,831	4,736,255	(894,541)	12,582,774
Non-controlling interest	-	-	5,787,986	-	-	-	5,787,986
Temporarily restricted	179,185	-	-	-	-	-	179,185
Total net assets	5,928,071	232,507	6,652,822	1,894,831	4,736,255	(894,541)	18,549,945
Total liabilities and net assets	\$ 10,193,438	\$ 240,278	\$ 10,022,280	\$ 14,553,993	\$ 7,149,099	\$ (4,611,428)	\$ 37,547,660

(See Independent Auditors' Report)

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**  
**JUNE 30, 2017**

	UNITY of Greater New Orleans, Inc.	UNITY Housing, Inc.	2101 Louisiana Apartments, LLC	2222 Tulane Apartments Nonprofit, Inc.	3222 Canal Apartments Nonprofit, Inc.	Eliminations	Total
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents	\$ 485,987	\$ 11,811	\$ 66,570	\$ 657,302	\$ 273,459	\$ -	\$ 1,495,129
Grants receivable	3,108,677	-	-	-	-	-	3,108,677
Tenant receivables, net	-	-	9,084	1,332	23,068	-	33,484
Other receivables	31,330	-	-	-	-	-	31,330
Prepaid expenses	826	-	59,497	62,049	50,604	-	172,976
Due from affiliates	245,444	198,238	83,141	48,943	82,678	(658,444)	-
Restricted cash and funded reserves	602,560	-	415,565	145,034	56,071	-	1,219,230
Total current assets	4,474,824	210,049	633,857	914,660	485,880	(658,444)	6,060,826
<b>PROPERTY AND EQUIPMENT, NET</b>	2,043,797	-	9,675,703	14,022,653	6,919,316	(29,541)	32,631,928
<b>OTHER ASSETS:</b>							
Note receivable	3,154,568	-	-	-	-	(3,154,568)	-
Syndication costs	-	-	50,000	-	-	-	50,000
Deposits	-	11,000	-	-	-	-	11,000
Investment in affiliate	865,000	-	-	-	-	(865,000)	-
Total other assets	4,019,568	11,000	50,000	-	-	(4,019,568)	61,000
Total assets	\$ 10,538,189	\$ 221,049	\$ 10,359,560	\$ 14,937,313	\$ 7,405,196	\$ (4,707,553)	\$ 38,753,754
<b>CURRENT LIABILITIES:</b>							
Accounts payable	\$ 23,200	\$ 5,455	\$ 107,521	\$ 14,127	\$ 185,808	\$ -	\$ 336,111
Accrued liabilities	103,877	-	61,706	55,287	35,019	(26,209)	229,680
Construction and developers fee payable	-	-	56,233	-	81,250	(56,233)	81,250
Tenant deposits	-	-	23,008	42,307	56,071	-	121,386
Deferred revenue	614,621	-	699	5,446	-	-	620,766
Due to affiliates	413,000	3,100	24,236	22,716	112,950	(576,002)	-
Lines of credit	220,375	-	-	-	-	-	220,375
Current portion of long-term debt	19,133	-	-	-	-	-	19,133
Payments due to subrecipients	2,339,661	-	-	-	-	-	2,339,661
Total current liabilities	3,733,867	8,555	273,403	139,883	471,098	(658,444)	3,968,362
<b>LONG-TERM DEBT, NET</b>	1,000,000	-	3,093,184	12,954,447	2,000,000	(3,154,568)	15,893,063
Total liabilities	4,733,867	8,555	3,366,587	13,094,330	2,471,098	(3,813,012)	19,861,425
<b>NET ASSETS:</b>							
Unrestricted							
Controlling interest	5,725,795	212,494	864,870	1,842,983	4,934,098	(894,541)	12,685,699
Non-controlling interest	-	-	6,128,103	-	-	-	6,128,103
Temporarily restricted	78,527	-	-	-	-	-	78,527
Total net assets	5,804,322	212,494	6,992,973	1,842,983	4,934,098	(894,541)	18,892,329
Total liabilities and net assets	\$ 10,538,189	\$ 221,049	\$ 10,359,560	\$ 14,937,313	\$ 7,405,196	\$ (4,707,553)	\$ 38,753,754

(See Independent Auditors' Report)

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**CONSOLIDATING SCHEDULES OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	UNITY of Greater New Orleans, Inc.	UNITY Housing, Inc.	2101 Louisiana Apartments, LLC	2222 Tulane Apartments Nonprofit, Inc.	3222 Canal Apartments Nonprofit, Inc.	Eliminations	Total
<b>REVENUE:</b>							
Grants - government	\$ 25,314,430	\$ 184,535	\$ 198,512	\$ 120,095	\$ 192,986	\$ (696,128)	\$ 25,314,430
Contributions	304,176	-	-	-	-	-	304,176
Rental income	-	-	313,913	531,794	772,258	-	1,617,965
Annual reduction of LHC note payable	-	-	-	426,667	-	-	426,667
Other revenues	259,918	105,556	25,270	11,417	3,458	(163,679)	241,940
<b>Total revenue</b>	<b>25,878,524</b>	<b>290,091</b>	<b>537,695</b>	<b>1,089,973</b>	<b>968,702</b>	<b>(859,807)</b>	<b>27,905,178</b>
<b>EXPENSES:</b>							
Salaries	1,779,086	28,248	20,389	23,198	36,471	(108,305)	1,779,087
Fringe benefits and payroll taxes	545,168	5,041	5,279	5,742	6,600	(22,662)	545,168
Conferences, conventions and meetings	34,844	-	-	-	60	-	34,904
Contracts - subrecipients	13,662,792	-	-	-	-	(696,128)	12,966,664
Interest expense	3,699	-	38,251	7,096	3,335	(32,712)	19,669
Client assistance	9,005,327	-	-	-	-	-	9,005,327
Membership dues	2,113	-	-	-	-	-	2,113
Warehouse and moving truck expense	26,282	-	-	-	-	-	26,282
Miscellaneous	6,890	392	12,487	431	3,783	-	23,983
Property operations and maintenance	121,907	174,429	384,494	472,735	786,996	-	1,940,561
Occupancy	87,419	-	-	-	-	-	87,419
Telephone	18,240	-	-	-	-	-	18,240
Property insurance and taxes	-	36,001	54,354	61,444	78,767	-	230,566
Office expenses and supplies	115,991	1,047	793	3,060	4,776	-	125,667
Fundraising	14,208	-	-	-	-	-	14,208
Professional fees	192,430	24,920	46,279	22,861	5,631	-	292,121
Bad debt	-	-	9,280	(4,816)	10,625	-	15,089
Depreciation and amortization	138,379	-	306,240	446,374	229,501	-	1,120,494
<b>Total expenses</b>	<b>25,754,775</b>	<b>270,078</b>	<b>877,846</b>	<b>1,038,125</b>	<b>1,166,545</b>	<b>(859,807)</b>	<b>28,247,562</b>
<b>Change in net assets</b>	<b>123,749</b>	<b>20,013</b>	<b>(340,151)</b>	<b>51,848</b>	<b>(197,843)</b>	<b>-</b>	<b>(342,384)</b>
Net assets, beginning of year	5,804,322	212,494	6,992,973	1,842,983	4,934,098	(894,541)	18,892,329
Net assets, end of year	\$ 5,928,071	\$ 232,507	\$ 6,652,822	\$ 1,894,831	\$ 4,736,255	\$ (894,541)	\$ 18,549,945

(See Independent Auditors' Report)

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**CONSOLIDATING SCHEDULES OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	UNITY of Greater New Orleans, Inc.	UNITY Housing, Inc.	2101 Louisiana Apartments, LLC	2222 Tulane Apartments Nonprofit, Inc.	3222 Canal Apartments Nonprofit, Inc.	Eliminations	Total
<b>REVENUE:</b>							
Grants - government	\$ 21,269,510	\$ 262,101	\$ 292,063	\$ 130,878	\$ 871,393	\$ (1,556,435)	\$ 21,269,510
Contributions	201,325	-	-	-	200,000	-	401,325
Rental income	-	-	326,553	558,987	735,103	-	1,620,643
Annual reduction of LHC note payable	-	-	-	426,667	-	-	426,667
Other revenues	322,774	79,248	35,842	3,422	126,271	(145,845)	421,712
<b>Total revenue</b>	<b>21,793,609</b>	<b>341,349</b>	<b>654,458</b>	<b>1,119,954</b>	<b>1,932,767</b>	<b>(1,702,280)</b>	<b>24,139,857</b>
<b>EXPENSES:</b>							
Salaries	1,582,084	15,562	18,396	19,835	30,643	(84,436)	1,582,084
Fringe benefits and payroll taxes	460,652	2,081	14,409	20,826	22,476	(21,184)	499,260
Conferences, conventions and meetings	29,341	-	-	-	-	(189)	29,152
Contracts - subrecipients	11,198,524	-	-	-	-	(1,556,435)	9,642,089
Interest expense	14,855	-	45,654	9,299	7,449	(40,036)	37,221
Client assistance	7,718,590	-	-	-	-	-	7,718,590
Membership dues	1,429	-	-	-	-	-	1,429
Warehouse and moving truck expense	24,803	-	-	-	-	-	24,803
Miscellaneous	5,132	341	7,347	15,094	1,463	-	29,377
Property operations and maintenance	101,464	209,722	386,246	429,165	942,780	-	2,069,377
Occupancy	91,151	-	-	-	-	-	91,151
Telephone	18,696	-	-	-	-	-	18,696
Property insurance and taxes	-	33,295	64,462	59,879	68,776	-	226,412
Office expenses and supplies	93,151	2,327	1,677	(96)	2,012	-	99,071
Fundraising	6,847	-	-	-	-	-	6,847
Professional fees	74,875	16,917	30,155	32,369	9,740	-	164,056
Bad debt	-	-	16,976	42,912	23,068	-	82,956
Depreciation and amortization	122,588	-	306,241	446,374	226,805	-	1,102,008
<b>Total expenses</b>	<b>21,544,182</b>	<b>280,245</b>	<b>891,563</b>	<b>1,075,657</b>	<b>1,335,212</b>	<b>(1,702,280)</b>	<b>23,424,579</b>
Change in net assets	249,427	61,104	(237,105)	44,297	597,555	-	715,278
Net assets, beginning of year	5,554,895	151,390	7,230,078	1,798,686	4,336,543	(894,541)	18,177,051
Net assets, end of year	\$ 5,804,322	\$ 212,494	\$ 6,992,973	\$ 1,842,983	\$ 4,934,098	\$ (894,541)	\$ 18,892,329

(See Independent Auditors' Report)

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF COMPENSATION, BENEFITS,**  
**AND OTHER PAYMENTS TO AGENCY HEAD**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Martha Kegel Executive Director
Time served	07/01/2017 - 06/30/2018
Salary	\$ 110,000
Benefits - insurance (health and dental)	10,225
Benefits - retirement	5,500
Benefits - insurance (LTD/STD/Life)	1,517
Benefits - cell phone	1,762
Registration fees	1,124
Conference travel	714
 Total compensation, benefits, and other payments	 \$ 130,842

**OTHER REPORTING REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**



**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 Governing Board of  
UNITY of Greater New Orleans, Inc. and Subsidiaries  
New Orleans, Louisiana

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 UNITY of Greater New Orleans, Inc. and Subsidiaries (a non-profit corporation), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 21, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered UNITY of Greater New Orleans, Inc. and Subsidiaries' internal control over financial reporting (internal control) to determine 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 UNITY of Greater New Orleans, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of UNITY of Greater New Orleans, Inc. and Subsidiaries' 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 may exist that have not been identified.



To the Governing Board of  
UNITY of Greater New Orleans, Inc. and Subsidiaries  
New Orleans, Louisiana

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether UNITY of Greater New Orleans, Inc. and Subsidiaries' 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 determination of financial statement amounts. 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 UNITY of Greater New Orleans, Inc. and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UNITY of Greater New Orleans, Inc. and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 21, 2018  
New Orleans, Louisiana

A handwritten signature in black ink that reads "Erickson Krentel, LLP".

Certified Public Accountants



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Governing Board of  
UNITY of Greater New Orleans, Inc. and Subsidiaries  
New Orleans, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited UNITY of Greater New Orleans, Inc. and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of UNITY of Greater New Orleans, Inc. and Subsidiaries' major federal programs for the year ended June 30, 2018. UNITY of Greater New Orleans, Inc. and Subsidiaries' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of UNITY of Greater New Orleans, Inc. and Subsidiaries' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UNITY of Greater New Orleans, Inc. and Subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of UNITY of Greater New Orleans, Inc. and Subsidiaries' compliance.

***Opinion on Each Major Federal Program***

In our opinion, UNITY of Greater New Orleans, Inc. and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.



To the Governing Board of  
UNITY of Greater New Orleans, Inc. and Subsidiaries  
New Orleans, Louisiana

**Report on Internal Control Over Compliance**

Management of UNITY of Greater New Orleans, Inc. and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UNITY of Greater New Orleans, Inc. and Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UNITY of Greater New Orleans, Inc. and Subsidiaries' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 21, 2018  
New Orleans, Louisiana

Certified Public Accountants

**SINGLE AUDIT SECTION**

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass-Through or Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Subrecipient Costs</u>	<u>Loan Balance</u>
<b>U.S. Department of Housing and Urban Development</b>					
Continuum of Care Program	14.267	various	\$ 14,007,064	\$ 11,096,291	\$ -
Housing Opportunities for People with AIDS	14.241	LA-H16-0014	597,652	579,066	-
<i>Pass - Through State of Louisiana:</i>					
Department of Health and Hospitals:					
Community Development Block Grants/Entitlement Grants	14.218	2000165847	81,680	43,953	-
Louisiana Housing Corporation:					
Continuum of Care Program	14.267	LA0001L6H091603/1704	8,634,444	-	-
HOME Investment Partnerships Program (HOME)	14.239		-	-	862,600
Office of Community Development:					
Community Development Block Grants/State's program	14.228		-	-	7,474,783
<i>Pass - Through Metropolitan Human Services District:</i>					
Continuum of Care Program	14.267	LA0086L6H031609	1,249,209	701,062	-
<i>Pass - Through Gulf Coast Housing Partnership:</i>					
HOME Investment Partnerships Program (HOME)	14.239	2011-2012-25 HOME	-	-	1,000,000
Total U.S. Department of Housing and Urban Development			<u>24,570,049</u>	<u>12,420,372</u>	<u>9,337,383</u>
<b>U.S. Department of Health and Human Services</b>					
<i>Pass - Through Metropolitan Human Services District:</i>					
Projects for Assistance in Transition from Homelessness	93.150	16040	125,247	-	-
<i>Pass - Through City of New Orleans:</i>					
Substance Abuse and Mental Health Services Administration	93.243		619,133	543,785	-
Total U.S. Department of Health and Human Services			<u>744,380</u>	<u>543,785</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 25,314,429</u>	<u>\$ 12,964,157</u>	<u>\$ 9,337,383</u>

(See Independent Auditors' Report)

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 – SCOPE OF AUDIT PURSUANT TO GOVERNMENT AUDITING STANDARDS AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)**

All federal grant operations of UNITY of Greater New Orleans, Inc. and Subsidiaries are included in the scope of the single audit. Those programs which were major grants and selected for specific testing were:

Continuum of Care (CFDA No. 14.267)

**NOTE 2 – FISCAL PERIOD AUDIT**

Single audit testing procedures were performed for program transactions occurring during the year ended June 30, 2018.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when UNITY of Greater New Orleans, Inc. and Subsidiaries have met the qualifications for the respective grants.

**Accrued and Deferred Reimbursement**

Various reimbursement procedures are used for federal awards received by UNITY of Greater New Orleans, Inc. and Subsidiaries. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over cash reimbursements and expenditures will be reversed in the remaining grant period.

**Pass-Through Entity Information**

Pass-through entity identifying numbers are presented where available.

**Payments to Subrecipients**

Payments to subrecipients are disclosed on the schedule of expenditures of federal awards for the year ended June 30, 2018.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Notes Payable - Federal Awards**

As further disclosed in Note 7 to the financial statements, UNITY of Greater New Orleans, Inc. and Subsidiaries have an outstanding gap financing loan with the State of Louisiana, Division of Administration Office of Community Development (CFDA No. 14.228), originating in December 2010 with a 0% interest rate and principal balance of \$7,474,783 at June 30, 2018.

As further disclosed in Note 7 to the financial statements, 3222 Canal Apartments Nonprofit, Inc., a wholly-owned subsidiary, executed a promissory note bearing interest of 0% payable to Gulf Coast Housing Partnership, Inc. (HOME funds) with a balance of \$1,000,000 at June 30, 2018.

As further disclosed in Note 7 to the financial statements, 2222 Tulane Apartments Nonprofit, Inc., a wholly-owned subsidiary, executed a promissory note bearing interest of 0% payable to Louisiana Housing Corporation with a balance of \$862,600 at June 30, 2018.

**Note Receivable**

On September 7, 2012, 2101 Louisiana Apartments, LLC, a consolidated subsidiary, executed a promissory note bearing interest of 1.5% in the amount of \$2,030,000 payable to UNITY of Greater New Orleans, Inc. There were no expenditures required to be reported on the schedule of expenditures of federal awards as CFDA#14.256, Neighborhood Stabilization Program 2, for the year ended June 30, 2018. This loan balance is eliminated on the consolidated statements of financial position.

**NOTE 4 – INDIRECT COST RATE**

UNITY of Greater New Orleans, Inc. and Subsidiaries has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**I. SUMMARY OF AUDITORS' REPORTS**

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of UNITY of Greater New Orleans, Inc. and Subsidiaries.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of UNITY of Greater New Orleans, Inc. and Subsidiaries were reported in the Independent Auditor's 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*.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for UNITY of Greater New Orleans, Inc. and Subsidiaries expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. A management letter was not issued for the year ended June 30, 2018.
8. The program tested as major programs was CFDA #14.267 Continuum of Care.
9. The threshold for distinguishing Types A and B programs was \$759,433.
10. UNITY of Greater New Orleans, Inc. and Subsidiaries qualified as a low-risk auditee.

**II. FINDINGS - FINANCIAL STATEMENT AUDIT**

There were no findings related to the financial statements for the year ended June 30, 2018.

**III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

There were no findings related to major federal award programs for the year ended June 30, 2018.

**UNITY OF GREATER NEW ORLEANS, INC. AND SUBSIDIARIES**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**SECTION I FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

Not applicable

**SECTION II FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR  
FEDERAL AWARD PROGRAMS**

Not applicable

**SECTION III MANAGEMENT LETTER**

Not applicable

**UNITY OF GREATER NEW ORLEANS, INC.**  
**AND SUBSIDIARIES**  
**LOUISIANA LEGISLATIVE AUDITOR**  
**STATEWIDE AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2017 THROUGH JUNE 30, 2018**



**ERICKSEN KRENTEL** LLP  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS



**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

To the Governing Board of  
UNITY of Greater New Orleans, Inc. and Subsidiaries

We have performed the procedures enumerated below, which were agreed to by UNITY of Greater New Orleans, Inc. (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are attached in Schedule "1"

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties and is not intended to be and should not be used by anyone other than those specified parties. The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

December 21, 2018  
New Orleans, Louisiana

Certified Public Accountants

UNITY OF GREATER NEW ORLEANS, INC.  
AGREED-UPON PROCEDURES  
JULY 1, 2017 – JUNE 30, 2018

**Written Policies and Procedures**

Procedures:

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - b. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c. ***Disbursements***, including processing, reviewing, and approving.
  - d. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
  - e. ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
  - g. ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
  - h. ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

UNITY OF GREATER NEW ORLEANS, INC.  
AGREED-UPON PROCEDURES (CONTINUED)  
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- i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results:

The written policies and procedures entirely address the functions of budgeting, purchasing, disbursements, receipts/collections, payroll/personnel, contracting, credit cards, and travel and expense reimbursement listed above. Ethics and debt service are not applicable to the Entity.

**Bank Reconciliations**

Procedures:

2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
  - a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results:

Obtained management's representation that the list of bank accounts was complete. Bank reconciliations were prepared for every month, there was evidence of proper approval, and outstanding reconciling items were researched in a timely manner.

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Collections

Procedures:

3. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
4. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a. Employees that are responsible for cash collections do not share cash drawers/registers.
  - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
6. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

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- a. Observe that receipts are sequentially pre-numbered.
- b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c. Trace the deposit slip total to the actual deposit per the bank statement.
- d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e. Trace the actual deposit per the bank statement to the general ledger.

Results:

Obtained a listing of entity collections/receipts from management and management's representation that the listing was complete. Obtained written policies and procedures relating to employee job duties and observed that job duties were properly segregated. All collections/receipts tested agreed with the deposit slip and corresponding bank statement and were deposited within the proper time frame.

**Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)**

Procedures:

7. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
8. For each location selected under #7 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b. At least two employees are involved in processing and approving payments to vendors.

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- c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
9. For each location selected under #7 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a. Observe that the disbursement matched the related original invoice/billing statement.
  - b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results:

Obtained a listing of entity disbursements from management and management's representation that the listing was complete. Obtained written policies and procedures relating to employee job duties and observed that job duties were properly segregated. All disbursements tested related to original invoice/billing statements and included documentation of segregation of duties.

Contracts

Procedures:

10. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

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- c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results:

Obtained a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period and management's representation that the listing was complete. All contracts samples fell under the professional services category and therefore didn't require Louisiana Public Bid Law. Approval of governing body/board not applicable to all contracts. There were no amendments to the contracts. All invoices tested agreed to the contract terms and conditions.