

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS AND WITH THE UNIFORM GUIDANCE

Year Ended December 31, 2019

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES

Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Providence Community Housing  
and Subsidiaries  
New Orleans, Louisiana

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Providence Community Housing and Subsidiaries (a nonprofit Corporation), which comprise the consolidated statement of financial position as of December 31, 2019, 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 Consolidated Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 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

**PACIERA, GAUTREAU & PRIEST, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors  
Providence Community Housing  
and Subsidiaries**

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 Providence Community Housing and Subsidiaries as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note Q to the financial statements, in 2019, the Corporation has adopted several recent Accounting Pronouncements. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

We have previously audited the Providence Community Housing and Subsidiaries' 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

**Other Matters**

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position and activities and changes in net assets; schedules of financial position - capital fund and activities - capital fund; the schedule of compensation, benefits, and other payments to the CEO, as required by Louisiana Revised Statute 24:513 (A) (3); and the schedule of expenditures of federal awards, as

**Board of Directors  
Providence Community Housing  
and Subsidiaries**

required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 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 25, 2020 on our consideration of Providence Community Housing 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 solely 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 the effectiveness of the Corporation'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 Providence Community Housing and Subsidiaries' internal control over financial reporting and compliance.



Metairie, Louisiana  
June 25, 2020

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019  
(With Summarized Financial Information  
at December 31, 2018)

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,601,994	\$ 3,969,604
Accounts receivable, Net	32,381	885
Due from government agency	3,861	60,917
Grants receivable	0	1,224
Prepaid expenses	<u>38,650</u>	<u>46,570</u>
<i>Total Current Assets</i>	<u>3,676,886</u>	<u>4,079,200</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	3,308,853	3,308,853
Buildings	5,241,401	5,241,401
Office furniture and equipment	<u>203,206</u>	<u>203,206</u>
	8,753,460	8,753,460
Less: Accumulated depreciation	<u>855,140</u>	<u>719,924</u>
<i>Total Property and Equipment</i>	<u>7,898,320</u>	<u>8,033,536</u>
<u>OTHER ASSETS</u>		
Cash restricted	554,072	847,631
Properties held for sale	314,515	332,275
Due from affiliates, Net	1,778	8,531
Deposits	9,444	9,444
Developer fee receivable - Affiliates	1,556,275	1,984,917
Notes receivable - Other, Net	10,000	10,000
Notes receivable - Affiliates, Net	6,682,846	6,034,020
Construction in progress	67,354	0
Capital lease property, Net	272,835	272,835
Investments in partnerships	1,783,077	1,783,388
Pre-development costs	<u>215,671</u>	<u>425,168</u>
<i>Total Other Assets</i>	<u>11,467,867</u>	<u>11,708,209</u>
<i>Total Assets</i>	<u>\$23,043,073</u>	<u>\$23,820,945</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)  
DECEMBER 31, 2019  
(With Summarized Financial Information  
at December 31, 2018)

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	<u>2019</u>	<u>2018</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and other accrued expenses	\$ 102,367	\$ 150,212
Accrued wages and vacation	33,878	22,870
Long-term debt due within one year	<u>52,756</u>	<u>49,865</u>
<i>Total Current Liabilities</i>	<u>189,001</u>	<u>222,947</u>
<u>OTHER LIABILITIES</u>		
Accounts payable - Other	98,993	98,993
Due to related parties	312,934	172,644
Funds held for others	54,217	0
Other liabilities	7,310	8,110
Deferred rents/revenue	772,251	777,936
Lease payable	272,835	272,835
Long-term debt, Less current portion	<u>5,840,983</u>	<u>5,993,166</u>
<i>Total Other Liabilities</i>	<u>7,359,523</u>	<u>7,323,684</u>
<i>Total Liabilities</i>	<u>7,548,524</u>	<u>7,546,631</u>
<u>NET ASSETS</u>		
Without donor restrictions:		
Controlling interest	12,340,057	12,925,802
Noncontrolling interest	<u>755,322</u>	<u>977,704</u>
<i>Total Without Donor Restrictions</i>	13,095,379	13,903,506
With donor restrictions	<u>2,399,170</u>	<u>2,370,808</u>
<i>Total Net Assets</i>	<u>15,494,549</u>	<u>16,274,314</u>
<i>Total Liabilities and Net Assets</i>	<u>\$23,043,073</u>	<u>\$23,820,945</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019  
(With Summarized Financial Information at December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<u>REVENUE, SUPPORT, GAINS AND LOSSES</u>				
Individual/business contributions	\$ 27,100	\$ 0	\$ 27,100	\$ 14,579
Grants	1,578,020	58,628	1,636,648	2,440,889
Interest	593,430	2,234	595,664	562,238
Development fees	0	0	0	1,757,040
Rents	293,119	0	293,119	286,011
Miscellaneous	75,357	0	75,357	26,569
Partnership income (loss)	(326)	0	(326)	(159,496)
Program service fees	139,045	0	139,045	90,797
Gain (loss) on sale of assets	0	0	0	467,055
Bad debt recoveries	83,394	0	83,394	218,938
Net assets released from restriction	<u>32,500</u>	<u>(32,500)</u>	<u>0</u>	<u>0</u>
<i>Total Revenue, Support, Gains and Losses</i>	<u>2,821,639</u>	<u>28,362</u>	<u>2,850,001</u>	<u>5,704,620</u>
<u>EXPENSES</u>				
Program Services:				
Real estate development	1,441,830	0	1,441,830	1,190,690
Home ownership promotion	211,572	0	211,572	293,745
Asset management	829,888	0	829,888	692,318
Community services	<u>375,322</u>	<u>0</u>	<u>375,322</u>	<u>328,653</u>
	<u>2,858,612</u>	<u>0</u>	<u>2,858,612</u>	<u>2,505,406</u>
Supporting Services:				
Management and general	367,405	0	367,405	361,860
Fund raising and communications	<u>160,700</u>	<u>0</u>	<u>160,700</u>	<u>138,874</u>
	<u>528,105</u>	<u>0</u>	<u>528,105</u>	<u>500,734</u>
<i>Total Expenses</i>	<u>3,386,717</u>	<u>0</u>	<u>3,386,717</u>	<u>3,006,140</u>
Change in Net Assets	(565,078)	28,362	(536,716)	2,698,480
Less: Change in net assets attributed to noncontrolling interest	<u>(20,667)</u>	<u>0</u>	<u>(20,667)</u>	<u>(592,951)</u>
Change in Net Assets, Controlling Interest	<u>(585,745)</u>	<u>28,362</u>	<u>(557,383)</u>	<u>2,105,529</u>
Net Assets, Controlling Interest - Beginning of Year	<u>12,925,802</u>	<u>2,370,808</u>	<u>15,296,610</u>	<u>13,191,081</u>
Net Assets, Controlling Interest - End of Year	<u>\$12,340,057</u>	<u>\$2,399,170</u>	<u>\$14,739,227</u>	<u>\$15,296,610</u>

See accompanying notes to consolidated financial statements.



PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019  
(With Summarized Financial Information at December 31, 2018)

	Program Services				Supporting Services			2019 Total Program and Supporting Services Expenses	2018 Total Program and Supporting Services Expenses	
	Real Estate Develop- ment	Home Ownership Promotion	Asset Manage- ment	Community Services	Total Program Services	Manage- ment and General	Fund Raising and Communi- cations			Total Support Services
Accounting services	\$ 850	\$ 0	\$ 0	\$ 475	\$ 1,325	\$ 31,075	\$ 0	\$ 31,075	\$ 32,400	\$ 26,550
Bad debt expense	990,224	0	183,098	0	1,173,322	0	0	0	1,173,322	761,840
Carrying costs on properties held for sale	21,505	0	0	0	21,505	0	0	0	21,505	33,947
Community center activities	500	0	524	148,482	149,506	0	0	0	149,506	97,833
Conferences and meetings	7,396	1,615	1,776	429	11,216	5,218	542	5,760	16,976	21,345
Consulting	70,104	0	32,510	22,143	124,757	0	48,000	48,000	172,757	26,666
Contributions	5,640	0	0	0	5,640	10,375	0	10,375	16,015	825
Depreciation	5,575	0	129,641	0	135,216	0	0	0	135,216	133,757
Direct assistance	0	0	642	0	642	0	0	0	642	55,183
Dues and subscriptions	290	290	218	223	1,021	4,735	457	5,192	6,213	3,409
Employee benefits	16,573	18,231	13,970	11,372	60,146	27,220	6,588	33,808	93,954	84,235
Equipment rental	0	0	0	328	328	510	0	510	838	915
Insurance	2,091	0	42,279	4,642	49,012	17,732	0	17,732	66,744	61,280
Interest expense	35,009	0	147,070	0	182,079	0	0	0	182,079	182,105
IT Support	6,285	4,533	3,771	11,754	26,343	4,795	2,232	7,027	33,370	33,861
Legal	1,080	0	172	0	1,252	2,015	0	2,015	3,267	3,662
Management fees	0	0	17,550	19,200	36,750	0	0	0	36,750	35,690
Marketing	0	0	0	0	0	6,828	11,379	18,207	18,207	30,115
Meals and entertainment	1,253	504	463	247	2,467	8,156	424	8,580	11,047	11,417
Miscellaneous	1,706	0	9,047	2,205	12,958	1,304	279	1,583	14,541	2,300
Office and supplies	381	52	14,818	24,212	39,463	13,857	903	14,760	54,223	60,577
Payroll taxes	15,232	11,043	9,186	4,755	40,216	18,816	5,436	24,252	64,468	59,416
Postage and shipping	63	467	0	750	1,280	1,123	0	1,123	2,403	2,763
Pre-Development expenses	20,997	0	0	0	20,997	0	0	0	20,997	257,716
Printing and publications	138	11	5	136	290	160	43	203	493	3,384
Rent	17,275	7,198	12,200	1,390	38,063	42,978	7,000	49,978	88,041	88,020
Repairs	61	10,214	59,866	4,381	74,522	0	0	0	74,522	100,001
Salaries	214,404	154,636	128,635	66,175	563,850	163,566	76,129	239,695	803,545	746,658
Telephone	1,325	1,545	1,073	10,399	14,342	3,342	348	3,690	18,032	24,334
Travel	5,873	1,233	3,408	739	11,253	3,600	940	4,540	15,793	10,278
Utilities	0	0	17,966	40,885	58,851	0	0	0	58,851	46,058
<b>Total Expenses</b>	<b>\$1,441,830</b>	<b>\$211,572</b>	<b>\$829,888</b>	<b>\$375,322</b>	<b>\$2,858,612</b>	<b>\$367,405</b>	<b>\$160,700</b>	<b>\$528,105</b>	<b>\$3,386,717</b>	<b>\$3,006,140</b>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
Year Ended December 31, 2019  
(With Summarized Financial Information  
at December 31, 2018)

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (536,716)	\$2,698,480
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for bad debt	1,173,322	761,840
Bad debt (recoveries)	(8,929)	(218,938)
Depreciation	135,216	133,757
Forgiveness of debt	(198,857)	(198,857)
Noncash contribution	5,640	0
Partnership loss	311	159,496
(Gain) on sale of properties held for sale	0	(467,055)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, grants receivable, and prepaid expenses	(74,360)	84,802
Decrease in due from government agency	57,056	276,805
(Increase) decrease in developer fee receivable - affiliates	428,642	(575,277)
Increase (decrease) in accounts payable and accrued expenses	(36,837)	49,162
(Decrease) in deferred rents/revenue	<u>(5,685)</u>	<u>(8,852)</u>
Net Cash Provided by Operating Activities	<u>938,803</u>	<u>2,695,363</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Advances to affiliates	(20,128)	(17,911)
Payments from affiliates	8,433	22,762
Proceeds from sale of property	0	2,367,000
Purchases of property held for sale	0	(911,500)
(Increase) in construction in progress	(67,354)	(243,216)
Advances on notes receivable	(1,960,905)	(1,296,640)
Payments on notes receivable	218,142	686,814
Net change in pre-development costs	209,497	(31,972)
Investment in partnerships	0	(618,755)
Purchase of leasehold improvements	0	(39,400)
Capital Contributions	<u>18,941</u>	<u>15,000</u>
Net Cash (Used for) Investing Activities	<u>(1,593,374)</u>	<u>(67,818)</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Continued)  
Year Ended December 31, 2019  
(With Summarized Financial Information  
at December 31, 2018)

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds on long-term debt	\$ 111,530	\$ 111,529
Payments on long-term debt	(49,845)	(720,728)
Increase (Decrease) in funds held for others	54,217	(2,214)
Advances from related party	140,290	0
(Decrease) in other liabilities	(800)	(1,300)
Distributions	<u>(261,990)</u>	<u>(548,524)</u>
Net Cash (Used for) Financing Activities	<u>(6,598)</u>	<u>(1,161,237)</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(661,169)	1,466,308
Cash, Cash Equivalents and Restricted Cash -		
Beginning of Year	<u>4,817,235</u>	<u>3,350,927</u>
End of Year	<u>\$4,156,066</u>	<u>\$ 4,817,235</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid during the year for -		
Interest - Net of capitalized amounts	\$ <u>35,540</u>	\$ <u>71,482</u>
Income taxes	\$ <u>0</u>	\$ <u>0</u>
<u>Non-cash Investing and Financing Activities</u>		
Forgiveness of debt	\$ <u>198,857</u>	\$ <u>198,858</u>
Transfer of construction in progress to pre-development costs	\$ <u>0</u>	\$ <u>138,741</u>
Transfer of construction in progress to properties held for sale	\$ <u>0</u>	\$ <u>532,702</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019

A. Summary of Significant Accounting Policies

Corporation

The accompanying consolidated financial statements include the accounts of Providence Community Housing and Subsidiaries (the "Corporation"), a nonprofit Louisiana corporation created April 5, 2006. The Corporation's mission is to transform lives and communities through the development and preservation of affordable homes while connecting individuals and families to opportunities that enhance their quality of life.

Program and Supporting Services

Following are the descriptions of the Corporation's program and supporting services:

Program Services:

Real Estate Development - This program includes all costs, excluding capital expenses, associated with developing and preserving affordable real estate for low income families, including both rental units and homes for sale. There are approximately 372 units in the concept/pre-development planning stage and 59 currently under construction.

Home Ownership Promotion - This program consists of costs associated with promoting home ownership including the marketing and sale of newly developed properties, managing a buyer pipeline through a buyer pool development program, and acting as a contract administrator for other agencies by providing professional services regarding their lending programs. Homebuyer services such as mortgage counseling, credit repair and homebuyer training are provided by certain unrelated entities that are under contract with the Corporation. This program created 11 new homeowners through program administration for other agencies and 1 through direct subsidy provided as a soft second mortgage.

Asset Management - This program consists of expenses related to overseeing the management of operating rental properties including individual, multi-family and senior housing as both a direct owner and general partner. There are 1,185 units currently in service.

Community Services - This program encompasses activities focused on improving quality of life through linkage and referral resident service coordination connected to economic opportunities, health & wellness services, and youth and senior focused activities for individuals and families residing within the Faubourg Lafitte footprint and at St. Bakhita in Marrero, Louisiana. This program also includes the operation of Sojourner Truth Neighborhood Center with Enterprise Community Partners.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2019

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Summary of Significant Accounting Policies (Cont'd)

Program and Supporting Services (Cont'd)

There were 978 referrals to community programs and supportive services in 2019. There were 97 seniors and 20 children who participated in the senior and youth programs. There were 17 individuals who secured employment and 122 individuals received case management services.

Supporting Services:

Management and General - This supporting service includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Corporation's program strategy through the office of the President; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of the Corporation; and manage the financial and budgetary responsibilities of the Corporation.

Fund raising and Communications - This supporting service provides the structure necessary to encourage and secure public and private financial support from individuals, foundations, corporations, and governmental agencies. It also includes communications support which is designed to increase and retain donors, increase awareness of the Corporation, and further the organization's mission with investors, stakeholders, and the community at large.

Basis of Accounting and Presentation

The consolidated financial statements include the accounts of Providence Community Housing and its subsidiaries. The subsidiaries are: Providence Annunciation Inn Apartments, LLC; Providence Nazareth Inn I, LLC; Providence Nazareth Inn Apartments II, LLC; Providence Delille Inn Apartments, LLC; Providence St. John Berchman's Apartments, LLC; Providence St. Bakhita Apartments, LLC; Lafitte Redevelopment, LLC; Providence Enterprise Orleans, LLC; Providence Building 12, LLC; Providence-Builders of Hope, LLC; Providence Lafitte Treme-Oak Place, LLC; PCH Sacred Heart at St. Bernard, LLC; Providence Columbia Sacred Heart, LLC; Onzaga Development Partners, LLC; and St Ann 2017 Managing Member, LLC. These consolidated financial statements have been prepared on the

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2019

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Summary of Significant Accounting Policies (Cont'd)

Basis of Accounting and Presentation (Cont'd)

accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities. All significant inter-company balances have been eliminated in the consolidation.

The Corporation reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor requirements. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Corporation. Certain restrictions may be needed to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor restricted net assets by the donor or by applicable state law.

Cost Allocation

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Corporation. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include Salaries, IT Support and Rent. Salaries and IT Support are allocated based on time and where efforts are spent and Rent is allocated on square footage basis. All other expenses are directly attributable to a program or supporting service.

Limited Liability Companies

The Corporation owns .01% of Annunciation Inn Apartments, LLC; Delille Inn Apartment, LLC; Nazareth Inn I, LLC; Nazareth Inn II Apartments, LLC; St. John Berchman's Apartments, LLC; Building 12, LLC; St. Bakhita Apartments, LLC; and Lafitte Treme-Oak Place, LLC; and is the managing member in these limited liability companies, which have investments in rental real estate.

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Summary of Significant Accounting Policies (Cont'd)

Limited Liability Companies (Cont'd)

The Corporation owns 100% of PCH Sacred Heart at St. Bernard, LLC which owns 51% of Providence Columbia Sacred Heart, LLC. Providence Columbia Sacred Heart, LLC owns .01% of Sacred Heart at St. Bernard, LLC and is the managing member in this limited liability company, which has investments in a rental real estate development.

The Corporation owns 51% of Onzaga Development Partners, LLC and is the managing member in this limited liability company, which is the developer on the Sacred Heart at St. Bernard project.

The Corporation owns 100% of St. Ann 2017 Managing Member, LLC which purchased the 99.9% limited partner interest of St. Ann 2017, LLC.

The Corporation owns 100% of Providence Lafitte Redevelopment, LLC (PLR); which owns 50% of Lafitte 2017 Manager, LLC; which owns 99% and is the managing member of Lafitte 2017, LLC. The other member owning 1% of Lafitte 2017, LLC is the President and CEO of the Corporation. PLR also owns 30% of PELM Market, LLC (PELM). PELM has a negative basis; therefore, under the equity method of accounting it is recorded as zero in the accompanying statement of financial position.

Noncontrolling Interest

The Corporation has a controlling interest in five partnerships, Providence Enterprise Orleans, LLC; Lafitte Redevelopment, LLC; Providence-Builders of Hope, LLC; Providence Columbia Sacred Heart, LLC; and Onzaga Development Partners, LLC.

The other member in Providence Enterprise Orleans, LLC, and Lafitte Redevelopment, LLC is Enterprise New Orleans NT, LLC and in Providence-Builders of Hope, LLC, is Builders of Hope, Inc. Their interests in the partnerships' income is shown as noncontrolling interests. The ownership percentages for the corporations are 50%.

The other member in Providence Columbia Sacred Heart, LLC is Columbia Sacred Heart, LLC. The other member in Onzaga Development Partners, LLC is New Affordable Housing Partners, LLC. Their interests in the partnerships' income is shown as noncontrolling interests. The ownership percentage for the noncontrolling interest is 49%. Income is allocated based on various operating agreements.

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Summary of Significant Accounting Policies (Cont'd)

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2018 from which the summarized information was derived.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Corporation provides for losses on accounts receivable using the allowance method. The allowance is based on experience, contracts, and knowledge of circumstances that may affect the ability of clients to meet their obligations. Receivables are considered impaired if payments are not received in accordance with the contractual terms. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance for doubtful accounts is \$1,728 at December 31, 2019.

Due from Government Agency

Due from Government Agency represent amounts that have been billed under agency contracts but not collected as of the date of the financial statements. All related receivable balances represent amounts owed by a local government agency. The receivable balance is stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2019, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Revenue with and without Donor Restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.



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Summary of Significant Accounting Policies (Cont'd)

Notes Receivable - Programmatic Loans

The Corporation uses the effective interest rate approach to account for its programmatic loans. When the Corporation believes its likely cash flows are less than the contractual cash flows, impairment losses are recorded.

Construction in Progress/Pre-development Costs

Construction in progress and pre-development costs consist of properties that will be rehabilitated for rental or home ownership purposes and the costs associated with rehabilitation.

Capital Lease Property and Lease Payable

Capital lease property includes infrastructure construction related to the Lafitte redevelopment site. Management determined that the infrastructure will be dedicated to the City of New Orleans at the end of the agreement, and therefore, has no value on the consolidated statement of financial position. Accordingly, improvements are stated at net realizable value with a valuation allowance of \$5,398,499, which represents the infrastructure cost incurred through December 31, 2019. The amounts included in the accompanying consolidated statement of financial position at December 31, 2019 are as follows:

Capital lease property	\$ 272,835
Infrastructure	<u>5,398,499</u>
	5,671,334
Less: Valuation allowance	<u>5,398,499</u>
<i>Total</i>	<u>\$ 272,835</u>

The related lease liability is included in 'Lease payable' and has a balance of \$272,835.

Property and Equipment

Items capitalized as part of property and equipment are valued at cost. Donated property used by the Corporation is recorded at the fair market value on the date contributed.

The Corporation has adopted a policy of capitalizing property and equipment greater than \$2,000.

Depreciation of property and equipment is provided over the estimated lives (5 - 40 years) of the respective asset using the straight-line method of depreciation.

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Summary of Significant Accounting Policies (Cont'd)

Income Taxes

Providence Community Housing qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code of 1954 as amended. The Corporation had no unrelated business income for the year ended December 31, 2019. Providence Annunciation Inn Apartments, LLC; Providence Nazareth Inn I, LLC; Providence Nazareth Inn Apartments II, LLC; Providence Delille Inn Apartments, LLC; Providence St. John Berchman's Apartments, LLC; Providence St. Bahkita Apartments, LLC; Providence Lafitte Treme-Oak Place, LLC; PCH Sacred Heart at St. Bernard, LLC; and St. Ann 2017 Managing Member, LLC have elected to be taxed as corporate entities. Lafitte Redevelopment, LLC; Providence Enterprise Orleans, LLC; Providence Building 12, LLC; Providence-Builders of Hope, LLC; Providence Columbia Sacred Heart, LLC; and Onzaga Development Partners, LLC; have elected to be treated as partnerships for tax purposes.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained on examination. As of December 31, 2019, management of Providence Community Housing and Subsidiaries believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years December 31, 2016 and later remain subject to examination by the taxing authorities.

Cash, Cash Equivalents, and Restricted Cash

For the purposes of the *Consolidated Statements of Cash Flows*, the Corporation considers highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The following table provides a reconciliation of cash and restricted cash reported within the balance sheet that sum to the total in the statements of cash flows as of December 31, 2019:

Cash and cash equivalent	\$3,601,994
Cash restricted	<u>554,072</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$4,156,066</u>

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Summary of Significant Accounting Policies (Cont'd)

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Services

Donated services are recognized as contributions in accordance with U.S. generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. Volunteers also provided services throughout the year, which are not recognized as contributions in the consolidated financial statements since the recognition criteria under U.S. generally accepted accounting principles were not met. The Corporation did not recognize any donated services in 2019.

Donated Property and Equipment

Donation of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Corporation recognized no donated property in 2019.

Properties Held for Sale

Properties held for sale are recorded at cost when acquired or constructed, with allowances made to reflect the lower of cost or market. The properties held for sale consist of various lots (27) located in the City of New Orleans that

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Summary of Significant Accounting Policies (Cont'd)

Properties Held for Sale (Cont'd)

will be used in redevelopment projects. The costs associated with maintaining these properties are included in 'Carrying costs on properties held for sale' on the *Consolidated Statement of Functional Expenses* along with any additional construction costs incurred above the market value.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Management Fees

The Corporation entered into an agreement with a management company to manage the Corporation's rental properties. The management company receives a fee of \$45 per unit per month on each occupied unit.

Fair Value Measurements

Accounting principles generally accepted in the United States of America establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

There were no assets or liabilities measured at fair value.

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Summary of Significant Accounting Policies (Cont'd)

Subsequent Events

Subsequent events have been evaluated through June 25, 2020, which is the date the consolidated financial statements were available to be issued.

B. Cash Restricted

Certain amounts of cash are restricted for the following purposes:

Real estate development	\$ 50,000
Lafitte youth services	8,628
NeighborWorks capital	79,910
Capital Magnet Fund	353,404
St. Ann Square partnership cash	54,217
Tenant security deposits	<u>7,913</u>
	<u>\$554,072</u>

C. Due from Affiliates

The Corporation has provided assistance to affiliated projects. The amounts due from affiliates are non-interest bearing, have no repayment terms, and are payable out of surplus cash (if available). During 2019, advances totaled \$20,128 of which \$18,448 was reserved. Payments from affiliates totaled \$8,433.

The following are the balances receivable from these affiliates as of December 31, 2019:

Columbia Sacred Heart, LLC	\$ 49
St. Ann 2017, LLC	1,434
Sacred Heart at St. Bernard, LLC	246
Lafitte Treme Oak Place, LLC - Administrative fees (Net of Allowance of \$18,448)	0
New Affordable Housing Partners LLC	<u>49</u>
Due from Affiliates	1,778
Sacred Heart at St. Bernard, LLC	<u>16,360</u>
Total	<u>\$18,138</u>

The \$16,360 is included in Accounts Receivable in the accompanying Consolidated Statement of Financial Position.

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D. Developer Fee Receivable - Affiliates

	<u>Balance due</u>
The Corporation, through its subsidiary Providence Enterprise Orleans (PEO), is owed a developer fee from Lafitte Market Rental, LLC. This fee will be paid from development funding. During 2019, no payments were received.	\$ 105,842
The Corporation, through its subsidiary Providence-Builders of Hope, LLC, is owed a developer fee from Lafitte Treme Oak Place, LLC. The developer fee is payable from project surplus cash. During 2019, no payments were received.	490,926
The Corporation, through its subsidiary, Onzaga Development Partners, LLC, is owed a developer fee from Sacred Heart of St. Bernard, LLC. The developer fee is payable from equity and project surplus cash. During 2019, payments of \$428,642 were received.	604,302
The Corporation is owed developer fees, payable from surplus cash (if available), from the following projects:	
Delille Inn, LLC	132,045
Nazareth Inn I, LLC	178,615
St. Bakhita Apartments, LLC	<u>44,545</u>
	<u>\$1,556,275</u>

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E. Notes Receivable

Notes receivable includes accrued interest, is net of a valuation allowance, and consists of the following at December 31, 2019:

Notes Receivable - Other:

(a) Other notes receivable	<u>\$10,000</u>
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Notes Receivable Affiliates:

(b) Annunciation Inn Apartments, LLC - HOME Fund	\$ 0
(c) Building 12, LLC - Deferred note - Building	270,000
(d) Building 12, LLC - Deferred development	247,680
(e) Delille Inn Apartments, LLC - Deferred development	145,206
(f) Delille Inn Apartments, LLC - HOME Fund	0
(g) Nazareth Inn I, LLC - Deferred development	809,954
(h) Nazareth Inn I, LLC - Deferred operating note	603,609
(i) St. Bakhita Apartments, LLC - Green note	50,000
(j) St. Bakhita Apartments, LLC - Rent note	559,869
(k) St. Bakhita Apartments, LLC - Deferred development	1,982,411
(l) St. John Berchman's Apartments, LLC - HOME Fund	7,387
(m) St. Ann 2017, LLC	0
(n) Sacred Heart at St. Bernard, LLC	1,131,092
(o) Sacred Heart at St. Bernard, LLC	0
(p) St. Ann 2017, LLC	500,000
(q) Lafitte 2017, LLC	<u>375,638</u>

<i>Total Notes Receivable - Affiliates</i>	<u>\$6,682,846</u>
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(a) As of December 31, 2019 the Corporation has lent \$2,155,888 to homeowners to acquire properties. These notes are recorded at their net realizable value. Cumulative impairment losses recognized on these notes total \$2,145,888.

(b) In May 2009, Annunciation Inn Apartments, LLC signed a promissory note in the amount of \$610,848. The balance of this note is \$616,158 and bears interest at the applicable federal rate of 2.64% at December 31, 2019. This note is due and payable on or before August 1, 2049. The accrued interest due at December 31, 2019 was \$34,513. Cumulative impairment losses recognized on this note total \$616,158.

(c) In December 2008, Building 12, LLC signed a promissory note to pay the Corporation \$270,000. The note accrues interest at 8%. This note is due and payable in one payment in December 2040 and has accrued interest of \$189,000. Cumulative impairment losses recognized on this note total \$189,000.

PROVIDENCE COMMUNITY HOUSING  
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Notes Receivable (Cont'd)

(d) In 2010, Building 12, LLC completed development, and per the development agreement agreed to pay the Corporation \$92,447. The Corporation is owed \$92,447 as a deferred development fee which accrues interest at 8%. In 2012, Building 12, LLC completed additional development and earned an additional \$76,509 of deferred development fees. This loan will be paid from cash flow pursuant to the partnership's operating agreement. The accrued interest on this note is \$78,724. During 2019, payments totaled \$40,000.

(e) In May 2008, Delille Inn Apartments, LLC signed a development service agreement to pay the Corporation for developing the project. The deferred development fee is \$65,940 and accrues interest at 8%. This amount is due on or before December 31, 2023. The accrued interest on this note is \$79,266.

(f) In May 2009, Delille Inn Apartments, LLC signed a promissory note in the amount of \$388,826. This note bears interest at the applicable federal rate (2.64% at December 31, 2019). This note is due and payable on or before January 1, 2050. The accrued interest on this note is \$152,011. Cumulative impairment losses recognized on this note total \$540,837.

(g) In May 2009, Nazareth Inn I, LLC signed a development service agreement to pay the Corporation for developing the project. The deferred development fee is \$544,365 and accrues interest at 8%. This amount is due on or before December 31, 2022. The accrued interest on this note is \$265,589. During 2019, payments totaled \$40,000.

(h) In September 2009, Nazareth Inn I, LLC signed a promissory note to pay the Corporation for plumbing improvements. This note is for \$315,000 and accrues interest at 8%. This amount is due on or before October 1, 2049. The accrued interest on this note is \$288,609.

(i and j) In December 2007, St. Bakhita Apartments, LLC signed two notes to pay the Corporation. The notes are for \$50,000 and \$559,869 and accrue interest at a rate of 8%. These notes are due on or before December 31, 2042. The outstanding balance at December 31, 2019 was \$1,520,670, which includes accrued interest. Cumulative impairment losses recognized on these notes total \$910,801.

(k) In 2009, St. Bakhita Apartments, LLC completed development and per the development service agreement, agreed to pay the Corporation \$1,027,383. This note accrues interest at 8%. This amount is due and payable on or before December 31, 2022. The balance on this note as of December 31, 2019 was \$1,982,411 including accrued interest of \$1,015,028. During 2019, payments totaled \$50,000.



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Notes Receivable (Cont'd)

(l) In May 2009, St. John Berchman's Apartments, LLC signed a promissory note in the amount of \$1,284,626. This note bears interest at the applicable federal rate (2.64% at December 31, 2019). This note is due and payable on or before February 1, 2050. The balance on this note as of December 31, 2019 was \$931,345 and accrued interest on this note is \$50,360. During 2019, interest payments totaled \$7,387 and is included in bad debt recovery. Cumulative impairment losses recognized on this note total \$981,705.

(m) In 2019, St. Ann 2017, LLC signed a surplus cash promissory note in the amount of \$875,000 of which \$623,438 was disbursed during 2019. This note bears no interest. The balance of the note is payable annually commencing on January 1, 2020 and thereafter until the entire indebtedness has been paid. The note is payable out of surplus cash with all unpaid amounts due on May 1, 2060. The impairment losses recognized on this note total \$623,438.

(n) In December of 2016, Sacred Heart at St. Bernard, LLC signed a promissory note in the amount of \$1,017,055. This note bears interest at 4.16% per year. The principal balance of this note and all accrued, but unpaid interest shall be paid annually for a period of thirty-six years beginning on October 1, 2018, solely from the available cash flow under the operating agreement, and the principal balance and all accrued, but unpaid interest shall be due and payable on October 1, 2054. The balance on this note as of December 31, 2019 was \$1,017,055. Accrued interest on this note is \$114,037.

(o) During 2017, Sacred Heart at St. Bernard, LLC signed a promissory note in the amount of \$1,145,621. This note was subsequently increased to \$1,552,022 and bears interest at 5% per year. The principal balance of this note and all accrued, but unpaid interest shall be paid annually for a period of thirty-six years beginning on October 1, 2018, solely from the available cash flow under the operating agreement, and the principal balance and all accrued, but unpaid interest shall be due and payable on October 1, 2054. The balance on this note as of December 31, 2019 was \$1,552,022 including accrued interest of \$155,663. Cumulative impairment losses recognized on this note total \$1,552,022.

(p) During 2018, St. Ann 2017, LLC signed a promissory note with the Corporation totaling \$1,998,409. The note bears interest at 7.5% and is due May 1, 2060. A total of \$500,000 was advanced under this agreement in 2018. Previously impaired accrued interest totaled \$1,541. During the year, \$1,541 of impairment losses were recorded as bad debt recovery.

(q) During 2019, Lafitte 2017, LLC signed a promissory note with the Corporation totaling \$475,000. The balance as of December 31, 2019 of \$375,638 is non interest bearing and matures August 31, 2020.

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F. Long-Term Debt

	Mortgage	Forgivable Loan	Surplus Cash
(a) Iberia Bank	\$578,126	\$ 0	\$ 0
(b) Louisiana Housing Corporation	0	0	4,364,982
(c) State of Louisiana	0	914,811	0
(d) New Orleans Redevelopment Authority	35,820	0	0
<i>Total</i>	<u>\$613,946</u>	<u>\$914,811</u>	<u>\$4,364,982</u>

(a) In August 2013, the Corporation entered into an agreement with Iberia Bank in the amount of \$850,000. This loan bears interest at a rate of 5.75% and is payable in 180 monthly payments of \$7,097 ending August 28, 2028. This loan is collateralized by real estate.

(b) In December 2007, the Corporation assumed a loan from UJAMAA Community Development Corporation and entered into an agreement with the Louisiana Housing Corporation for \$3,032,669. This amount includes a principal balance of \$2,750,047. Total accrued interest on this loan is \$1,614,935. This loan bears interest at a rate of 4% and is payable from surplus cash generated by property owned by the Corporation with the first payment from excess cash flow from Building 12, LLC with all unpaid principal and interest due April 2038. This loan is collateralized by real estate.

(c) Beginning in 2011, the Corporation entered into forgivable debt agreements with the State of Louisiana. The agreements are non-interest bearing. The debt is forgivable at 10% per year once the property meets the State of Louisiana's affordability criteria. During 2019, \$198,857 of this debt was forgiven.

(d) In 2009, the Corporation entered into agreements with the New Orleans Redevelopment Authority for \$226,800. \$172,800 was to be repaid upon the sale of properties and \$54,000 is due October 16, 2024. The notes are non-interest bearing and the balance of these loans as of December 31, 2019 was \$35,820.

The future scheduled maturities of long-term debt are as follows:

2020	\$ 52,756
2021	56,011
2022	59,365
2023	62,919
2024	66,631
Thereafter	5,596,057
	<u>\$5,893,739</u>

G. Deferred Rents/Revenue

In December 2007, the Corporation entered into a ground lease with St. Bakhita Apartments, LLC to lease land for 99 years in exchange for deferred rents. The amount of \$875,000 is being amortized over the life of the lease which began in 2008.

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H. Net Assets

The following are the changes in net assets:

	<u>Net Assets Without Donor Restrictions</u>			<u>Net Asset With</u>	<u>Total</u>
	<u>Controlling</u>	<u>Noncontrolling</u>	<u>Total</u>	<u>Donor Restrictions</u>	<u>Net Assets</u>
Beginning of year	\$12,925,802	\$ 977,704	\$13,903,506	\$2,370,808	\$16,274,314
Contributed Capital	0	18,941	18,941	0	18,941
Distributions	0	(261,990)	(261,990)	0	(261,990)
Change in Net Assets	<u>(585,745)</u>	<u>20,667</u>	<u>(565,078)</u>	<u>28,362</u>	<u>(536,716)</u>
End of year	<u>\$12,340,057</u>	<u>\$ 755,322</u>	<u>\$13,095,379</u>	<u>\$2,399,170</u>	<u>\$15,494,549</u>

I. Restrictions on Net Assets

Net assets with donor restrictions are available for the following purposes at December 31, 2019:

Subject to expenditure for specified purposes:

Real Estate Development:	
Capital Magnet Fund	\$1,229,042
NeighborWorks America	1,111,500
Capital One grant	50,000
Lafitte youth services	<u>8,628</u>
	<u>\$2,399,170</u>

The following net assets with donor restrictions were released from restrictions during 2019:

Real estate development - Capital Magnet Fund	\$25,000
Lafitte youth services	2,500
Lafitte case management	<u>5,000</u>
	<u>\$32,500</u>

J. NeighborWorks America Grants

The following grants were in effect during the year ended 2019 from NeighborWorks America:

*Support Without Donor Restrictions*

NeighborWorks America provides expendable grants to support program activities. During the year, \$478,900 was expended for this purpose.

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NeighborWorks America Grants (Cont'd)

*Support With Donor Restrictions*

NeighborWorks America provided no capital grants during the year for capital projects. If present, these amounts are donor restricted although proceeds on capital projects, or interest earned, over and above the corpus may be transferred to net assets without restrictions for furthering the Corporation's mission. However, should the Corporation become defunct, all remaining grant funds, interest earnings, capital project proceeds, and the capital projects portfolios representing the use of these funds will revert to NeighborWorks America.

K. Leasing Arrangements

The Corporation leases commercial space on a month to month basis. Rent expense for the year was \$88,041.

L. Related Party Transactions

See A for limited liability companies, Note C for due from affiliates, Note D for developer fee receivables from affiliates, Note E for related party notes receivable, and Note P for related party guarantees.

During the year, the Corporation received \$88,125 from St. Ann Square, LLC related to due from affiliates.

M. Concentrations

Included in revenue is a grant totaling \$623,438 received from the City of New Orleans CDGB Funding. This grant approximates 22% of the total revenue, support, gains and losses for the year.

The Corporation may be subject to credit risk to its cash and cash equivalent investments, which are placed with high credit-quality financial institutions. From time to time, the Corporation may have amounts on deposit in excess of the FDIC \$250,000 limit. Management believes the Corporation is not exposed to any significant credit risk on cash, cash equivalents and restricted cash. As of December 31, 2019, the Corporation has approximately \$3,542,072 in cash and cash equivalents in excess of the FDIC \$250,000 limit. The Corporation has not experienced any losses on its cash and cash equivalents.

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N. Programmatic Investments in Partnerships

The Corporation reports its programmatic investments, Investments in Partnerships and Other Investments, using the equity method or a cost-based measure. The programmatic investments consist of the following:

Managing Members:

Lafitte Treme - Oak Place, LLC	\$ 720,851
Nazareth Inn I, LLC	414,058
Other partnerships	(1,832)
St. Ann 2017, LLC	650,000
	<u>\$ 1,783,077</u>

The following is summary financial information for material Investments in Partnerships and Other Investments:

	<u>St. Ann 2017, LLC</u>	<u>Lafitte Treme Oak Place, LLC</u>	<u>Nazareth Inn I, LLC</u>
Total Assets	<u>\$9,753,115</u>	<u>\$10,992,866</u>	<u>\$13,192,139</u>
Total Liabilities	<u>\$9,103,115</u>	<u>\$ 2,554,202</u>	<u>\$ 9,696,437</u>
Total Change in Net Assets	<u>\$ 0</u>	<u>\$ (304,222)</u>	<u>\$ (400,592)</u>

O. Liquidity and Availability of Financial Assets

The following reflects the Corporation's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date.

Financial Assets	\$14,226,284
Less: Amounts unavailable for general expenditures within one year	<u>10,588,048</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,638,236</u>

As part of its liquidity management, the Corporation has a policy to structure its financial assets to be available for general expenditures, liabilities, and as other obligations become due.

P. Commitments, Contingencies, and Guarantees

In the normal course of business, the Corporation is involved in disputes related to certain projects. Management believes that the resolution of these matters will not have a material effect on the Corporation's financial position or results of operations.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2019

Commitments, Contingencies, and Guarantees (Cont'd)

The Corporation has operating deficit guarantees for the various projects that they are the managing member. No amounts were required for the year ended December 31, 2019.

The Corporation and another related corporation guaranteed a loan from the Louisiana Housing Corporation to Sacred Heart at St. Bernard, LLC, a related party, of \$400,000. At December 31, 2019, \$400,000 was outstanding.

In 2016, the Corporation guaranteed a loan from the Louisiana Housing Corporation for the Artspace Bell School Project of \$3,711,649. At December 31, 2019, \$3,711,649 was outstanding.

In 2018, the Corporation guaranteed various loans related to the construction financing for St. Ann 2017 totaling \$8,760,257. At December 31, 2019 \$5,536,856 was outstanding. The Corporation also, guaranteed construction completion for the St. Ann 2017 project to the lender of the total completed value of \$10,383,779. At December 31, 2019, \$4,166,322 was outstanding.

During 2019, the Corporation and another related corporation guaranteed a predevelopment line of credit for the Lafitte 2017 project of \$475,000. As of December 31, 2019, \$375,638 was outstanding.

On June 24, 2019, the Corporation entered into an agreement with the City of New Orleans Office of Community Development (City) related to the Community Development Block Grant (CDBG) funding for the St. Ann project (Property). This agreement would require the CDBG funds to be paid back if the Corporation does not fulfill its obligation. The obligation is that the Corporation own the Property for the 35-year standard affordability period. Should the Property transfer ownership to an entity that does not assume the agreement, the pro-rated balance must be repaid to the City. As of December 31, 2019, \$623,438 in CDBG funding has been received that is subject to this agreement.

Q. Recently Adopted Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows - Restricted Cash, that requires the inclusion of restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Corporation adopted ASU 2016-18 effective January 1, 2019, which resulted in the inclusion of the Corporation's restricted cash balances along with cash and cash equivalents in the Corporation's statement of cash flows and separate line items showing changes in restricted cash balances were eliminated from the Corporation's statement of cash flows. ASU 2016-18 was applied retrospectively to all periods presented.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2019

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Recently Adopted Accounting Pronouncements (Cont'd)

In January 2016, the FASB issued ASU No. 2016-01 Recognition and Measurement of Financial Assets and Financial Liabilities. The standard is intended to improve the recognition, measurement, presentation, and disclosure of financial instruments. Subsequent to the issuance of ASU no. 2016-01, the FASB issued Accounting Standards Update No. 2018-03, Technical Corrections and Improvements to Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities which requires accounting for certain equity investments and financial liabilities under the fair value option with changes in fair value recognized in the Change in Net Assets. On January 1, 2019, the Corporation adopted on a prospective basis these pronouncements. Adoption of these pronouncements did not result in any cumulative effect adjustments to Net Assets on January 1, 2019.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This Update is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Corporation adopted ASU 2018-08 effective January 1, 2019. The prospective adoption of this pronouncement did not result in any significant changes from the prior period.

R. Subsequent Events

During March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. As a result of the pandemic, economic uncertainties have arisen that could impact the Corporation's operational and financial performance. The potential impact has not been recognized in these financial statements.

Subsequent to year end, the Corporation has received a letter from the US Department of Justice, Civil Rights Division, Housing and Civil Enforcement Section ("DOJ") dated May 6, 2020 alleging violations of the Fair Housing Act and the Americans with Disabilities Act of 1990. No specific violations were listed and additional information has been requested from the DOJ. The letter is directed to multiple entities affecting eight properties, one of which the Corporation has affiliation. The Corporation believes that any liability that may result from this matter will be covered by their liability insurance and will not have a material effect on their financial condition or results of operations. Accordingly, no amounts have been reflected in the consolidated financial statements.

SUPPLEMENTARY INFORMATION



PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
DECEMBER 31, 2019

	PCH Sacred Heart at St. Bernard, LLC and Subsidiary				
	PCH Sacred Heart at St. Bernard, LLC	Providence Columbia Sacred Heart, LLC	TOTAL	Providence Community Housing	General Partners Total *
<b>ASSETS</b>					
<u>Current Assets</u>					
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 3,478,194	\$ 0
Accounts receivable (Net)	0	16,360	16,360	11,743	0
Due from government agency	0	0	0	3,861	0
Grants receivable	0	0	0	0	0
Prepaid expenses	0	0	0	31,093	0
<i>Total Current Assets</i>	<u>0</u>	<u>16,360</u>	<u>16,360</u>	<u>3,524,891</u>	<u>0</u>
<u>Property and Equipment</u>					
Land	0	0	0	3,308,853	0
Buildings	0	0	0	5,185,651	0
Office furniture and equipment	0	0	0	203,206	0
	0	0	0	8,697,710	0
Less: Accumulated depreciation	0	0	0	846,748	0
<i>Total Property and Equipment</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,850,962</u>	<u>0</u>
<u>Other Assets</u>					
Cash restricted	0	0	0	545,444	0
Properties held for sale	0	0	0	314,515	0
Due from affiliates	51	100	151	129,498	0
Deposits	0	0	0	9,444	0
Developer fee receivable - Affiliates	0	0	0	355,205	0
Notes receivable - Other (Net)	0	0	0	10,000	0
Notes receivable - Affiliates (Net)	0	1,131,092	1,131,092	7,075,875	0
Custodial funds	0	0	0	0	0
Construction in progress	0	0	0	0	0
Capital lease property	0	0	0	0	0
Investments in partnerships	8,373	819,958	828,331	2,531,279	1,783,068
Pre-development costs	0	0	0	26,113	0
<i>Total Other Assets</i>	<u>8,424</u>	<u>1,951,150</u>	<u>1,959,574</u>	<u>10,997,373</u>	<u>1,783,068</u>
<i>Total Assets</i>	<u>\$ 8,424</u>	<u>\$ 1,967,510</u>	<u>\$ 1,975,934</u>	<u>\$ 22,373,226</u>	<u>\$ 1,783,068</u>

\* General partners represents the activities of the following:

Providence Annunciation Inn Apartments, LLC  
Providence Delille Inn Apartments, LLC  
Providence Nazareth Inn I, LLC  
Providence Nazareth Inn Apartments II, LLC  
Providence St. John Berchman's Apartments, LLC  
Providence St. Bakhita Apartments, LLC  
Providence Building 12, LLC  
Providence Lafitte Treme-Oak Place, LLC  
St. Ann 2017 Managing Member

Lafitte Redevelop- ment, LLC	Providence Enterprise Orleans, LLC	Providence Builders of Hope, LLC	Onzaga Development Partners, LLC	Total	Eliminations	Consolidated Total
\$ 18,230	\$ 105,570	\$ 0	\$ 0	\$ 3,601,994	\$ 0	\$ 3,601,994
14,278	0	0	0	42,381	(10,000)	32,381
0	0	0	0	3,861	0	3,861
0	0	0	0	0	0	0
4,606	2,951	0	0	38,650	0	38,650
37,114	108,521	0	0	3,686,886	(10,000)	3,676,886
0	0	0	0	3,308,853	0	3,308,853
55,750	0	0	0	5,241,401	0	5,241,401
0	0	0	0	203,206	0	203,206
55,750	0	0	0	8,753,460	0	8,753,460
8,392	0	0	0	855,140	0	855,140
47,358	0	0	0	7,898,320	0	7,898,320
0	8,628	0	0	554,072	0	554,072
0	0	0	0	314,515	0	314,515
0	0	0	100	129,749	(127,971)	1,778
0	0	0	0	9,444	0	9,444
0	105,842	490,926	604,302	1,556,275	0	1,556,275
0	0	0	0	10,000	0	10,000
0	0	0	0	8,206,967	(1,524,121)	6,682,846
0	0	0	0	0	0	0
67,354	0	0	0	67,354	0	67,354
272,835	0	0	0	272,835	0	272,835
0	0	0	0	5,142,678	(3,359,601)	1,783,077
189,558	0	0	0	215,671	0	215,671
529,747	114,470	490,926	604,402	16,479,560	(5,011,693)	11,467,867
\$ 614,219	\$ 222,991	\$ 490,926	\$ 604,402	\$ 28,064,766	\$ (5,021,693)	\$ 23,043,073

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
(Continued)  
DECEMBER 31, 2019

	<u>PCH Sacred Heart at St. Bernard, LLC and Subsidiary</u>			Providence Community Housing	General Partners Total *
	PCH Sacred Heart at St. Bernard, LLC	Providence Columbia Sacred Heart, LLC	TOTAL		
<u>LIABILITIES AND NET ASSETS</u>					
<u>Current Liabilities</u>					
Accounts Payable and other accrued expenses	\$ 0	\$ 114,037	\$ 114,037	\$ 34,627	\$ 0
Accrued wages and vacation	0	0	0	33,878	0
Long-term debt due within one year	0	0	0	52,756	0
<i>Total Current Liabilities</i>	0	114,037	114,037	121,261	0
<u>Other Liabilities</u>					
Accounts payable - Other	0	0	0	98,993	0
Due to related parties	51	1,837,055	1,837,106	102	1,135,662
Funds held for others	0	0	0	54,217	0
Other liabilities	0	0	0	7,310	0
Deferred rents/revenue	0	0	0	772,251	0
Lease payable	0	0	0	0	0
Long-term debt, less current portion	0	0	0	5,840,983	0
<i>Total Other Liabilities</i>	51	1,837,055	1,837,106	6,773,856	1,135,662
<i>Total Liabilities</i>	51	1,951,092	1,951,143	6,895,117	1,135,662
<u>Net Assets</u>					
Without donor restrictions:					
Controlling interest	8,373	8,373	16,746	13,087,567	647,406
Noncontrolling interest	0	8,045	8,045	0	0
<i>Total without donor restrictions</i>	8,373	16,418	24,791	13,087,567	647,406
With donor restrictions	0	0	0	2,390,542	0
<i>Total Net Assets</i>	8,373	16,418	24,791	15,478,109	647,406
<i>Total Liabilities and Net Assets</i>	\$ 8,424	\$ 1,967,510	\$ 1,975,934	\$ 22,373,226	\$ 1,783,068

\* General partners represents the activities of the following:

- Providence Annunciation Inn Apartments, LLC
- Providence Delille Inn Apartments, LLC
- Providence Nazareth Inn I, LLC
- Providence Nazareth Inn Apartments II, LLC
- Providence St. John Berchman's Apartments, LLC
- Providence St. Bakhita Apartments, LLC
- Providence Building 12, LLC
- Providence Lafitte Treme-Oak Place, LLC
- St. Ann 2017 Managing Member

Lafitte Redevelop- ment, LLC	Providence Enterprise Orleans, LLC	Providence Builders of Hope, LLC	Onzaga Development Partners, LLC	Total	Eliminations	Consolidated Total
\$ 19,181	\$ 23,550	\$ 0	\$ 0	\$ 191,395	\$ (89,028)	\$ 102,367
0	0	0	0	33,878	0	33,878
0	0	0	0	52,756	0	52,756
19,181	23,550	0	0	278,029	(89,028)	189,001
0	0	0	0	98,993	0	98,993
4,278	123,540	0	0	3,100,688	(2,787,754)	312,934
0	0	0	0	54,217	0	54,217
0	0	0	0	7,310	0	7,310
0	0	0	0	772,251	0	772,251
272,835	0	0	0	272,835	0	272,835
0	0	0	0	5,840,983	0	5,840,983
277,113	123,540	0	0	10,147,277	(2,787,754)	7,359,523
296,294	147,090	0	0	10,425,306	(2,876,782)	7,548,524
158,963	26,623	245,461	302,202	14,484,968	(2,144,911)	12,340,057
158,962	40,650	245,465	302,200	755,322	0	755,322
317,925	67,273	490,926	604,402	15,240,290	(2,144,911)	13,095,379
0	8,628	0	0	2,399,170	0	2,399,170
317,925	75,901	490,926	604,402	17,639,460	(2,144,911)	15,494,549
\$ 614,219	\$ 222,991	\$ 490,926	\$ 604,402	\$ 28,064,766	\$ (5,021,693)	\$ 23,043,073

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES  
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2019

PCH Sacred Heart at St. Bernard, LLC  
and Subsidiary

	PCH Sacred Heart at St. Bernard, LLC	Providence Columbia Sacred Heart, LLC	Total	Providence Community Housing	General Partners Total *
<b>REVENUE, SUPPORT, GAINS AND LOSSES</b>					
Individual/business contributions	\$ 0	\$ 0	\$ 0	\$ 6,700	\$ 0
Grants	0	0	0	1,506,397	0
Interest	0	39,572	39,572	635,120	0
Rents	0	0	0	287,985	0
Miscellaneous	0	0	0	14,171	0
Partnership income (loss)	8,322	(42)	8,280	20,724	(269)
Program services fees	0	16,360	16,360	43,058	0
Bad debt recoveries	0	74,465	74,465	8,929	0
<i>Total Revenue, Support, Gains and Losses</i>	<u>8,322</u>	<u>130,355</u>	<u>138,677</u>	<u>2,523,084</u>	<u>(269)</u>
<b>EXPENSES</b>					
Program Services:					
Real estate development	0	114,037	114,037	1,477,168	0
Home ownership promotion	0	0	0	211,572	0
Asset management	0	0	0	829,888	0
Community services	0	0	0	112,748	0
	<u>0</u>	<u>114,037</u>	<u>114,037</u>	<u>2,631,376</u>	<u>0</u>
Support Services:					
Management and general	0	0	0	367,405	0
Fund raising and communications	0	0	0	160,700	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>528,105</u>	<u>0</u>
<i>Total Expenses</i>	<u>0</u>	<u>114,037</u>	<u>114,037</u>	<u>3,159,481</u>	<u>0</u>
Change in Net Assets	8,322	16,318	24,640	(636,397)	(269)
Less: Change in net assets attributed to Noncontrolling interest	0	(7,996)	(7,996)	0	0
Change in Net Assets, Controlling interest	8,322	8,322	16,644	(636,397)	(269)
Net Assets					
Controlling interest - Beginning of Year	51	51	102	16,114,506	647,675
Contributions	0	0	0	0	0
Distributions	0	0	0	0	0
Net Assets					
Controlling interest - End of Year	<u>\$ 8,373</u>	<u>\$ 8,373</u>	<u>\$ 16,746</u>	<u>\$ 15,478,109</u>	<u>\$ 647,406</u>

\* General partners represents the activities of the following:

Providence Annunciation Inn Apartments, LLC	Providence St. John Berchman's Apartments, LLC
Providence Delille Inn Apartments, LLC	Providence St. Bakhita Apartments, LLC
Providence Nazareth Inn I, LLC	Providence Building 12, LLC
Providence Nazareth Inn Apartments II, LLC	Providence Lafitte Treme-Oak Place, LLC
St. Ann 2017 Managing Member	

Lafitte Redevelop- ment, LLC	Providence Enterprise Orleans, LLC	Providence Builders of Hope, LLC	Onzaga Development Partners, LLC	Total	Eliminations	Consolidated Total
\$ 0	\$ 21,100	\$ 0	\$ 0	\$ 27,800	\$ (700)	\$ 27,100
0	130,251	0	0	1,636,648	0	1,636,648
0	0	0	0	674,692	(79,028)	595,664
5,134	0	0	0	293,119	0	293,119
0	61,186	0	0	75,357	0	75,357
0	0	0	0	28,735	(29,061)	(326)
24,950	79,627	0	0	163,995	(24,950)	139,045
0	0	0	0	83,394	0	83,394
30,084	292,164	0	0	2,983,740	(133,739)	2,850,001
8,681	0	0	0	1,599,886	(158,056)	1,441,830
0	0	0	0	211,572	0	211,572
0	0	0	0	829,888	0	829,888
24,950	263,274	0	0	400,972	(25,650)	375,322
33,631	263,274	0	0	3,042,318	(183,706)	2,858,612
0	0	0	0	367,405	0	367,405
0	0	0	0	160,700	0	160,700
0	0	0	0	528,105	0	528,105
33,631	263,274	0	0	3,570,423	(183,706)	3,386,717
(3,547)	28,890	0	0	(586,683)	49,967	(536,716)
1,774	(14,445)	0	0	(20,667)	0	(20,667)
(1,773)	14,445	0	0	(607,350)	49,967	(557,383)
141,795	50,147	245,461	498,195	17,697,881	(2,401,271)	15,296,610
18,941	0	0	0	18,941	(18,941)	0
0	(29,341)	0	(195,993)	(225,334)	225,334	0
\$ 158,963	\$ 35,251	\$ 245,461	\$ 302,202	\$ 16,884,138	\$ (2,144,911)	\$ 14,739,227

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NEIGHBORWORKS AMERICA  
SCHEDULE OF FINANCIAL POSITION - CAPITAL FUND  
DECEMBER 31, 2019

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ASSETS

Cash restricted	\$ 79,910
Land and buildings	469,135
Notes receivable - Real estate	<u>562,455</u>

*TOTAL ASSETS* \$1,111,500

NET ASSETS

With donor restrictions	<u>\$1,111,500</u>
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*TOTAL NET ASSETS* \$1,111,500

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NEIGHBORWORKS AMERICA  
SCHEDULE OF ACTIVITIES - CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2019

REVENUES, GAINS, OTHER SUPPORT AND RELEASE OF CAPITAL:

Capital Grant-NeighborWorks America-beginning balance	\$1,111,500
Additions	0
Released	<u>0</u>
 Net assets with donor restrictions at end of year	 <u><u>\$1,111,500</u></u>



PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO THE CHIEF EXECUTIVE OFFICER  
FROM PUBLIC FUNDS  
YEAR ENDED DECEMBER 31, 2019

No compensation, reimbursements, and benefits were paid to the chief executive officer from public funds.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2019

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<u>Federal Grantor/Program Title</u> <u>Pass-Through Grantors</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Sub- recipients</u>	<u>Federal Expend- itures</u>
U.S. Department of Housing and Urban Development:				
Passed through the City of New Orleans:				
Home Investment Partnerships Program	14.239	HOME 2015-006		\$ <u>155,202</u>
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	CDBG2018-002		<u>623,438</u>
<i>Total CDGB - Entitlement     Cluster</i>	14.218			<u>623,438</u>
<i>Total U.S. Department of Housing and Urban Development</i>				<u>778,640</u>
U.S. Department of Treasury:				
Community Development Financial Institution Fund				
Capital Magnet Fund	21.011	171CM022377		400,638
Passed through NeighborWorks America	21.000			<u>478,900</u>
<i>Total U.S. Department of Treasury</i>				<u>879,538</u>
<i>Total Expenditures of Federal Awards</i>				<u>\$1,658,178</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2019

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A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Providence Community Housing and Subsidiaries under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Providence Community Housing and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Providence Community Housing and Subsidiaries.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

C. Indirect Costs

Providence Community Housing and Subsidiaries did not elect to use the 10% de minimis indirect cost rate.

# PACIERA, GAUTREAU & PRIEST, LLC

## CERTIFIED PUBLIC ACCOUNTANTS

KIRTH M. PACIERA, C.P.A.  
TIMOTHY L. PRIEST, C.P.A.

MEMBERS OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
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SIDNEY T. SPILSBURY, C.P.A.  
(1905-1985)  
KEITH T. HAMILTON, C.P.A.  
(1932-2003)  
LEROY P. LEGENDRE, C.P.A.  
(Retired)  
RENE G. GAUTREAU, C.P.A.  
(1958-2019)

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

Board of Directors  
Providence Community Housing  
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 Providence Community Housing and Subsidiaries (a nonprofit organization) (the "Corporation"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 25, 2020.

### Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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.

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

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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 the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Paciera, Gautreau & Priest, LLC*

Metairie, Louisiana  
June 25, 2020

**PACIERA, GAUTREAU & PRIEST, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

# PACIERA, GAUTREAU & PRIEST, LLC

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(1905-1985)  
KEITH T. HAMILTON, C.P.A.  
(1932-2003)  
LEROY P. LEGENDRE, C.P.A.  
(Retired)  
RENE G. GAUTREAU, C.P.A.  
(1958-2019)

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Providence Community Housing  
and Subsidiaries  
New Orleans, Louisiana

### Report on Compliance for Each Major Federal Program

We have audited Providence Community Housing and Subsidiaries' (a nonprofit organization) (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2019. The Corporation's major federal programs are identified in the summary of auditor's 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's 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 the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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 the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation 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 December 31, 2019.

Report on Internal Control Over Compliance

Management of the Corporation 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 the Corporation's 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 the Corporation's 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.

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

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.

*Paciera, Gautreau & Priest, LLC*

Metairie, Louisiana  
June 25, 2020

**PACIERA, GAUTREAU & PRIEST, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS



PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019

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**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)  
YEAR ENDED DECEMBER 31, 2019

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**Section II - Financial Statement Findings**

No matters are reportable.

**Section III - Federal Award Findings and Questioned Costs**

No matters are reportable.