
GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

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GULF COAST HOUSING PARTNERSHIP, INC.

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DECEMBER 31, 2018

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Independent Auditors' Report

The Board of Directors and Officers
Gulf Coast Housing Partnership, Inc.

We have audited the accompanying consolidated financial statements of Gulf Coast Housing Partnership, Inc. and its subsidiaries (GCHP), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gulf Coast Housing Partnership, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Organization adopted Accounting Standards Update No. 2016-14 in the current year related to the presentation of financial statements. Our opinion is not modified with respect to this matter.

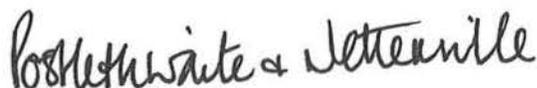
Other Matters

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Gulf Coast Housing Partnership, Inc.'s basic financial statements. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information included in Schedule 1 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the 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 April 30, 2019, on our consideration of GCHP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the effectiveness of GCHP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the GCHP's internal control over financial reporting and compliance.



Metairie, Louisiana
April 30, 2019

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 21, 2018 AND 2017

| <u>Assets</u> | <u>2018</u> | <u>2017</u> |
|---|-----------------------|-----------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 2,837,425 | \$ 1,803,045 |
| Receivables | 588,177 | 2,530,609 |
| Prepays | 655,718 | 526,221 |
| Restricted cash and cash equivalents | 7,870,745 | 6,108,476 |
| Current notes receivable | 1,158,096 | 418,369 |
| Total current assets | <u>13,110,161</u> | <u>11,386,720</u> |
| Restricted cash and cash equivalents | <u>10,411,124</u> | <u>19,082,736</u> |
| Real estate held for development and sale | <u>13,269,503</u> | <u>10,361,763</u> |
| Property and equipment | | |
| Property and equipment, net of accumulated depreciation | 129,424,047 | 135,058,095 |
| Construction in progress | 12,704,613 | 5,259,930 |
| Total property and equipment, net of accumulated depreciation | <u>142,128,660</u> | <u>140,318,025</u> |
| Other assets | 2,056,378 | 2,384,889 |
| Investment in partnerships | 1,174,291 | 1,181,147 |
| Developer fee receivable | 232,986 | 311,446 |
| Notes receivable | <u>15,080,613</u> | <u>15,727,488</u> |
| Total assets | <u>\$ 197,463,716</u> | <u>\$ 200,754,214</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities | | |
| Accounts payable | \$ 304,719 | \$ 312,518 |
| Current maturities of long-term debt, net | 4,460,621 | 2,947,576 |
| Construction loans payable | - | 1,458,959 |
| Construction costs payable | 3,069,459 | 2,993,023 |
| Other payables | 1,348,789 | 1,498,966 |
| Total current liabilities | <u>9,183,588</u> | <u>9,211,042</u> |
| Long-term liabilities | | |
| Deferred revenue | 3,253,493 | 3,651,723 |
| Other long-term payable | 5,505,988 | 4,463,818 |
| Long-term debt, net of current maturities and debt issuance costs | 92,805,579 | 113,079,001 |
| Total long-term liabilities | <u>101,565,060</u> | <u>121,194,542</u> |
| Total liabilities | <u>110,748,648</u> | <u>130,405,584</u> |
| Net assets | | |
| Without donor restrictions | | |
| GCHP - controlling interest | 36,117,529 | 31,143,753 |
| Noncontrolling interests in subsidiaries | 48,597,539 | 39,204,877 |
| Total net assets without donor restrictions | <u>84,715,068</u> | <u>70,348,630</u> |
| With donor restrictions | 2,000,000 | - |
| Net assets | <u>86,715,068</u> | <u>70,348,630</u> |
| Total liabilities and net assets | <u>\$ 197,463,716</u> | <u>\$ 200,754,214</u> |

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | 2018 | 2018 | 2018 | 2017 |
|---|----------------------|---------------------|----------------------|----------------------|
| | Without Donor | With Donor | Total | Without Donor |
| | Restrictions | Restrictions | | Restrictions |
| Support and revenue: | | | | |
| Contributions, donations, and grants | \$ 663,500 | \$ - | \$ 663,500 | \$ 1,426,877 |
| Development fees | 2,295,146 | - | 2,295,146 | 1,815,765 |
| Property operations rental income | 10,773,389 | - | 10,773,389 | 10,228,649 |
| Federal grants | 144,636 | 2,000,000 | 2,144,636 | 915,066 |
| Forgiveness of debt | 2,984,862 | - | 2,984,862 | 745,314 |
| Interest income | 294,216 | - | 294,216 | 125,316 |
| Management fees | 919,710 | - | 919,710 | 610,704 |
| Rental income | 219,669 | - | 219,669 | 221,302 |
| Interest income on cash and cash equivalents | 29,916 | - | 29,916 | 14,716 |
| Gain on disposition | 1,778,489 | - | 1,778,489 | 65,358 |
| Other revenue | 150,067 | - | 150,067 | 924,598 |
| Total support and revenue | <u>20,253,600</u> | <u>2,000,000</u> | <u>22,253,600</u> | <u>17,093,665</u> |
| Expenses: | | | | |
| Salaries and benefits | 2,833,539 | - | 2,833,539 | 2,723,565 |
| Depreciation and amortization | 5,304,917 | - | 5,304,917 | 4,734,678 |
| Property operating expense | 8,298,319 | - | 8,298,319 | 7,167,176 |
| Interest expense | 2,688,687 | - | 2,688,687 | 2,025,599 |
| Administrative | 762,799 | - | 762,799 | 927,065 |
| Property taxes and insurance | 91,586 | - | 91,586 | 77,433 |
| Total expenses | <u>19,979,847</u> | <u>-</u> | <u>19,979,847</u> | <u>17,655,516</u> |
| Change in net assets | <u>273,753</u> | <u>2,000,000</u> | <u>2,273,753</u> | <u>(561,851)</u> |
| Net assets at beginning of year | 70,348,630 | - | 70,348,630 | 63,762,191 |
| Change in net assets | 273,753 | 2,000,000 | 2,273,753 | (561,851) |
| Noncontrolling members' contributions to subsidiaries | 11,963,279 | - | 11,963,279 | 1,973,114 |
| Sale/transfer of general partnership interest | 2,129,406 | - | 2,129,406 | 5,175,176 |
| Change in consolidated net assets | <u>14,366,438</u> | <u>2,000,000</u> | <u>16,366,438</u> | <u>6,586,439</u> |
| Net assets at end of year | <u>\$ 84,715,068</u> | <u>\$ 2,000,000</u> | <u>\$ 86,715,068</u> | <u>\$ 70,348,630</u> |

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

| | Program Services | Supporting Services | | Total Expenses |
|---|-----------------------------|-----------------------------------|--------------------|---------------------------|
| | | Management and General | Fundraising | |
| Salaries and benefits | \$ 1,671,788 | \$ 1,074,704 | \$ 87,047 | \$ 2,833,539 |
| Depreciation and amortization | 5,255,306 | 49,611 | - | 5,304,917 |
| Property operating expense | 8,298,319 | - | - | 8,298,319 |
| Interest expense | 2,688,687 | - | - | 2,688,687 |
| Administrative | - | 762,799 | - | 762,799 |
| Property taxes and insurance | 73,405 | 18,181 | - | 91,586 |
| Total expenses | <u>\$ 17,987,505</u> | <u>\$ 1,905,295</u> | <u>\$ 87,047</u> | <u>\$ 19,979,847</u> |
| | | | | |
| Total expenses for the year ended December 31, 2017 | <u>\$ 16,476,973</u> | <u>\$ 1,118,586</u> | <u>\$ 59,957</u> | <u>\$ 17,655,516</u> |

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 2,273,753 | \$ (561,851) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 5,200,608 | 4,615,790 |
| Forgiveness of debt | (2,984,862) | (745,314) |
| Amortization of deferred fees | 104,309 | 118,888 |
| Noncash interest (amortization of debt issuance costs) | 100,344 | 67,556 |
| Gain on disposition | (1,778,489) | (65,358) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in receivables | 1,955,811 | (543,165) |
| Decrease in developer fee receivable | 78,460 | 18,298 |
| Increase in prepaids | (211,262) | (140,453) |
| Increase (decrease) in accounts payable | 27,475 | (84,506) |
| Increase (decrease) in deferred revenue | (398,230) | 204,598 |
| Increase in other payables | 1,372,616 | 1,961,699 |
| Net cash provided by operating activities | <u>5,740,533</u> | <u>4,846,182</u> |
| Cash flows from investing activities: | | |
| Purchases of real estate, property, and equipment | (22,273,609) | (23,425,222) |
| Funds advanced on notes receivable, net | (92,852) | (150,131) |
| Investment in McCaleb Supportive Housing L.L.C. | 6,856 | 13,635 |
| Sale of FW Springs | 1,786,972 | - |
| FW Springs cash at date of disposition | (1,262,326) | - |
| Net cash used in investing activities | <u>(21,834,959)</u> | <u>(23,561,718)</u> |
| Cash flows from financing activities: | | |
| Proceeds from notes payable | 16,825,000 | 38,431,694 |
| Payments on notes payable | (16,838,859) | (12,708,238) |
| Proceeds from construction loans payable | - | 2,806,860 |
| Payments on construction loans payable | (1,458,959) | (7,570,977) |
| Contributions and transfers from noncontrolling interests | 11,963,279 | 7,148,290 |
| Other assets change, net | (270,998) | (1,712,567) |
| Net cash provided by financing activities | <u>10,219,463</u> | <u>26,395,062</u> |
| Net increase (decrease) in cash and cash equivalents | (5,874,963) | 7,679,526 |
| Cash and cash equivalents at beginning of year | <u>26,994,257</u> | <u>19,314,731</u> |
| Cash and cash equivalents at end of year | <u>\$ 21,119,294</u> | <u>\$ 26,994,257</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest | <u>\$ 2,848,980</u> | <u>\$ 1,649,055</u> |
| <u>Reconciliation to Statements of Financial Position</u> | | |
| Cash and cash equivalents for cash flow statement include: | | |
| Cash and cash equivalents | \$ 2,837,425 | \$ 1,803,045 |
| Restricted cash, current | 7,870,745 | 6,108,476 |
| Restricted cash, long-term | 10,411,124 | 19,082,736 |
| | <u>\$ 21,119,294</u> | <u>\$ 26,994,257</u> |

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

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

(a) **History and Organization**

Gulf Coast Housing Partnership, Inc. (“GCHP”) is a non-profit organization organized under the laws of the State of Delaware to acquire, own, develop, hold, sell, lease, transfer, exchange, operate and manage all types of real estate projects, including any buildings and other improvements especially in the Gulf South region that were affected by Hurricanes Katrina and Rita; to foster and stimulate economic development; and to play a key role in developing a new institutional infrastructure through which long-term, affordable housing in the Gulf South can be successfully produced, owned and operated.

These financial statements have been consolidated to include all accounts of Gulf Coast Housing Partnership, Inc. and its subsidiaries.

The following are wholly owned subsidiaries that are disregarded for income tax purposes:

| | |
|--|--------------------------------------|
| Gulf Coast Housing Partnership, L.L.C. | GCHP Gert Town, L.L.C. |
| GCHP-Management, L.L.C. | GCHP-German Schoolhouse, L.L.C. |
| GCHP-NDF, L.L.C. | GCHP-Terrebonne, L.L.C.** |
| GCHP-MLK Development, L.L.C. | GCHP-1610 OCH, L.L.C. |
| GCHP-Venus Gardens, L.L.C.** | GCHP-Terrebonne GP, L.L.C.** |
| OSBR Land, L.L.C. | GCHP-RBR I, L.L.C. |
| GCHP-Scott, L.L.C. | GCHP-RBR II, L.L.C. |
| GCHP-Jericho, L.L.C. | GCHP-RBR III, L.L.C. |
| GCHP-Canal, L.L.C. | GCHP-RBR IV, L.L.C. |
| GCHP-Westwego, L.L.C. | GCHP-RBR 2002, LLC |
| GCHP-LDG, L.L.C. | Beverly Land, L.L.C. |
| GCHP-1409 OCH, L.L.C. | Village at the Beverly II GP, L.L.C. |
| 1122 OCH, L.L.C. | Village at the Beverly II, L.P. |
| King Rampart L.L.C. | GCHP-North Park GP, L.L.C. |
| GCHP-Spanish Town, L.L.C. | GCHP Stevenson GP, L.L.C. |
| GCHP-Andrew L.L.C. | GCHP-Raymond Road GP, L.L.C. |
| 1840 Baronne L.L.C. | GCHP-Springs, L.L.C. |
| GCHP Franklin MM L.L.C. | GCHP Franklin, L.L.C. |
| GCHP Hooper Ridge, L.L.C. | Hooper Ridge, L.L.C. |
| Pearl Street Southwest, L.L.C. | Pearl Street Southwest MM, L.L.C. |
| GCHP-Progress Park, L.L.C.* | GCHP-Progress Park GP, L.L.C.* |
| FNBC MLK Investments* | GCHP Polybar Master Tenant, L.L.C.* |
| 165 Dauphin GP, L.L.C. | |

The following are wholly owned subsidiaries that are non-profit entities:

| | |
|--------------------|------------------|
| GCHP LA CHDO, Inc. | GCHP-Texas, Inc. |
|--------------------|------------------|

* Denotes entity was formed or became wholly owned in 2018.

** Denotes entity was dissolved in 2018.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(1) Summary of Significant Accounting Policies (continued)

(a) History and Organization (continued)

The following are wholly owned subsidiaries or partnerships that are for profit entities:

| | |
|-----------------------------------|---------------------------------|
| GCHP-Muses, L.L.C. | GCHP-Beau Sejour GP, L.L.C. |
| GCHP-Elysian, L.L.C. | GCHP-Gabriel Villa GP, L.L.C. |
| GCHP-PolyBar Owner, L.L.C. | Old Morrison GP, L.L.C. |
| GCHP-Esplanade GP, L.L.C. | Nel Court GP, L.L.C. |
| Village at the Beverly GP, L.L.C. | GCHP-Hammond GP, L.L.C. |
| GCHP-Elysian II GP, L.L.C. | GCHP-Jefferson Davis GP, L.L.C. |

The following partnerships have been consolidated based on GCHP's 51% to 99% ownership percentage in the partnership:

| | |
|-------------------------------|------------------------------|
| Midtown Housing, L.P.** | GCHP-Sacred Heart MM, L.L.C. |
| GCHP-One Stop, L.L.C. | GCHP-Ojala GP, L.L.C.*** |
| Midtown Land, L.L.C.*** | GCHP-Sacred Heart, L.L.C. |
| Midtown Housing, GP, L.L.C.** | GCHP-1854 GP, L.L.C. |
| West-Millsaps GP, L.L.C. | GCHP-Claiborne MM, L.L.C. |
| GCHP-Mid City GP, L.L.C. | AG 2018, L.L.C.* |

The following partnerships have been consolidated based on GCHP's effective control as managing member or controlling member of:

| | |
|---------------------------------|------------------------------|
| Village at the Beverly, L.L.C. | GCHP-MLK, L.L.C. |
| GCHP-Mid City, L.L.C. | 1854 North Street, L.L.C. |
| GCHP-Claiborne, L.L.C. | West-Millsaps, L.L.C. |
| GCHP-Esplanade, L.L.C. | GCHP PolyBar, L.L.C. |
| FW Springs, L.P.*** | Northpark Housing, L.P. |
| 165 Dauphin, L.P. | GCHP-Hammond, L.L.C. |
| Gabriel Villa Apartments, L.P. | Beau Sejour Apartments, L.P. |
| Nel Court, L.P. | Old Morrison Partners, L.P. |
| GCHP-Jefferson Davis, L.L.C. | Stevenson Apartments, L.P. |
| Raymond Road Partners, L.P. | Country Club Estates, L.P. |
| Country Club Estates GP, L.L.C. | 1626 OCH L.L.C. |
| 1626 OCH GP, L.L.C. | GCHP-Elysian II, L.L.C. |

Other non-consolidated partnership interests are as follows:

| | |
|------------------------------------|---|
| .01% of The Elysian, L.L.C. (cost) | 50% of McCaleb Supportive Housing, L.L.C. (equity method) |
| .005% The Muses, LTD1 (cost) | 50% of Elysian Manager, L.L.C. (equity method) |

* Denotes entity was formed or became wholly owned in 2018.

** Denotes entity was dissolved in 2018.

*** Denotes entity was sold in 2018.

All significant inter-company accounts and transactions have been eliminated.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

(b) Basis of Presentation

The consolidated financial statements of Gulf Coast Housing Partnership, Inc. and its subsidiaries (the Organization or GCHP) have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities to the following net asset classifications.

- **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization had \$2,000,000 of net assets with donor restrictions as of December 31, 2018. These net assets are restricted by purpose and time.

(c) Use of Estimates

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

(d) Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash demand deposits and all highly liquid debt instruments with an original maturity of three months or less from the date of purchase.

(e) Restricted Cash and Cash Equivalents

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

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

(f) Receivables

Receivables are charged to bad debt when they are deemed uncollectible. As of December 31, 2018 and 2017, management deemed that no allowance for uncollectible accounts was necessary.

GCHP uses the direct write-off method to provide for uncollectible accounts. Use of this method does not result in a material difference from the valuation method required by US GAAP.

(g) Amortization of Deferred Fees

Loan fees paid in connection with securing the financing of a property are amortized on a straight-line basis over the term of the respective loan. Mortgage costs are amortized over the term of the permanent mortgage loan using the straight-line method. Tax credit costs are amortized over the tax credit period using the straight-line method. Accumulated amortization as of December 31, 2018 and 2017 was \$427,469 and \$323,160, respectively. Amortization expense was \$104,309 and \$118,888 for the years ended December 31, 2018 and 2017, respectively.

(h) Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line basis over an estimated useful life of 20 to 40 years for buildings and improvements, and 3 to 10 years for furniture, equipment, and fixtures. Maintenance and repairs are expensed as incurred and major improvements are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statements of activities. The Organization's capitalization threshold is \$3,500.

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the estimated cost to dispose. There were no impairments of long-lived assets recorded by management during the years ended December 31, 2018 and 2017.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(1) Summary of Significant Accounting Policies (continued)

(i) Tax Exempt Status

Gulf Coast Housing Partnership, Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC").

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

(j) Real Estate Development

GCHP capitalizes project costs which include acquisition and predevelopment costs (real estate held for development and sale), and construction and development costs incurred during construction (construction in progress) for each of its projects. GCHP also capitalizes, upon commencement of construction, interest charges from debt related to these specific projects. Interest capitalized was \$160,889 and \$262,907 for the years ended December 31, 2018 and 2017, respectively. When projects are sold, the related cost and accumulated depreciation as applicable are removed from the accounts; any gain or loss is included in the consolidated statements of activities.

(k) Revenue Recognition

Revenue is recognized when earned.

Grant revenues are recognized when allowable expenditures are incurred under such agreements and contracts. Advance payments are recorded as deferred revenue.

Development fee revenue is recognized when contractual obligations have been fulfilled and the fees are received or otherwise deemed collectible.

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

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

(k) Revenue Recognition (continued)

Management fees received in advance are deferred to the applicable period in which the related services are performed.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

(l) Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Expenses that apply to more than one functional category have been allocated between program services and support services based on the actual time spent on these functions. Depreciation, amortization, property taxes, and insurance expenses are allocated based on properties utilized by the program versus those properties used for management and general operations. All other costs are charged directly to the appropriate functional category.

(m) New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. GCHP has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, with the exception of the presentation of functional expense for the year ended December 31, 2017 and the liquidity and availability disclosure (note 3).

The adoption of this pronouncement has no impact on GCHP's total net assets.

(n) Accounting Pronouncements Issued but Not Yet in Effect

FASB has issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This standard will be effective for GCHP for the year ending December 31, 2019.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(1) Summary of Significant Accounting Policies (continued)

(n) Accounting Pronouncements Issued but Not Yet in Effect

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU 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. This ASU will be effective for year ending December 31, 2019.

In February 2016, the FASB issued ASU 2016-02, Leases. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2019.

GCHP is currently assessing the impact of these pronouncements on the consolidated financial statements.

(o) Reclassifications

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

(2) Concentration of Credit Risk

GCHP has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). GCHP has not experienced any losses, and management does not believe that credit risk exists as a result of this practice.

For the years ended December 31, 2018 and 2017, GCHP had no concentration of funding from limited sources. The support from contributors for 2018 and 2017 was for project specific subsidies and did not impact GCHP's ability to continue to function at its current level of operations.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(3) Liquidity and Availability

The following represents the Organization's financial assets at December 31, 2018:

| | |
|---|----------------------|
| Financial assets at year end: | <u>2018</u> |
| Cash and cash equivalents | \$ 21,119,294 |
| Receivables | 821,163 |
| Notes receivable | <u>16,238,709</u> |
| Total financial assets | <u>38,179,166</u> |
| | |
| Less amounts not available to be used to meet general expenditures or not due in twelve months: | |
| Cash restricted for specific uses | 12,380,838 |
| Receivables | 232,986 |
| Notes receivable | <u>15,080,613</u> |
| | <u>27,694,437</u> |
| | |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 10,484,729</u> |

GCHP maintains a current cash reserve of approximately \$1,477,000. As part of its liquidity plan, excess cash is invested in short term investments with maturities of no more than 3 months, including US government securities and certificates of deposit. Funds are invested to ensure full FDIC coverage to the extent permissible by existing loan and/or investor covenants. In addition, GCHP has secured \$2.5 million in working capital lines of credit to meet cash flow needs.

(4) Property and Equipment

Property and equipment is summarized as follows at December 31:

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------|-----------------------|
| Land, lots, buildings and improvements | \$ 145,744,755 | \$ 150,490,284 |
| Construction in progress | 12,704,613 | 5,259,930 |
| Furniture, equipment and fixtures | <u>4,730,468</u> | <u>4,054,793</u> |
| Total property and equipment | 163,179,836 | 159,805,007 |
| Less: accumulated depreciation | <u>(21,051,176)</u> | <u>(19,486,982)</u> |
| Property and equipment, net | <u>\$ 142,128,660</u> | <u>\$ 140,318,025</u> |

Substantially all property and equipment is pledged as collateral on long-term debt.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(5) Notes Receivable

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

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| The Elysian, L.L.C. - (East Baton Rouge Parish Redevelopment funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate. | \$ 841,100 | \$ 841,100 |
| The Elysian, L.L.C. - (Office of Community Development funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate. | 4,000,000 | 4,000,000 |
| The Elysian, L.L.C. - (Louisiana Housing Finance Agency funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate. | 2,099,930 | 2,099,930 |
| The Elysian, L.L.C. - (Developer Fee Loan) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate. | 352,617 | 352,617 |
| Reconcile New Orleans, Inc. - (Health and Human Services funds) note receivable with interest rate at 0% per annum; principal is due December 31, 2041. The note is secured by real estate. | 765,828 | 765,828 |
| The Muses Ltd 1 - (HOME funds) note receivable with interest rate at 2.75% per annum; principal and accrued interest are due May 31, 2026. The note is secured by real estate. | 2,000,000 | 2,000,000 |
| The Muses Ltd 1 - (Enterprise funds) note receivable with interest rate at 0% per annum; principal is due at the earlier of the sale and/or the refinancing of The Muses Ltd 1 or October 1, 2039. | 50,000 | 50,000 |

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(5) Notes Receivable (continued)

| | 2018 | 2017 |
|--|------------|------------|
| McCaleb Supportive Housing - note receivable with interest rate at 5% per annum; principal and accrued interest are due in monthly installments beginning April 19, 2013 and amortized over 15 years. The outstanding balance of any principal and interest is due at June 17, 2026. The note is secured by real estate. | \$ 140,334 | \$ 154,796 |
| 3222 Canal Apartments - (HOME funds) note receivable with interest rate at 0% per annum; principal payment of note will be automatically forgiven upon the later of (i) the expiration of the affordability period set forth in the Grant Agreement and (ii) the payment in full of the Deferred Developer Fee as described in the Development Services Agreement. The note is secured by real estate. | 1,000,000 | 1,000,000 |
| GCHP-Housing Finance - note receivable with interest rate at 0% per annum; principal is due June 27, 2023. Note is secured by security interest in the leverage loan to GCHP - PolyBar, L.L.C. project. | 629,486 | 629,486 |
| 3222 Canal Apartments - (AHP funds) note receivable with interest rate at 0% per annum; principal is due February 26, 2030. The note is secured by real estate. | 1,000,000 | 1,000,000 |
| Mission Properties Foundation - (CDBG funds) note receivable with interest rate at 0% per annum; the note will be automatically forgiven upon the written acknowledgment by the State of Louisiana office of Community Development. The note is secured by real estate. | 1,738,559 | 1,738,559 |

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(5) Notes Receivable (continued)

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| 2700 Bohn Motor, L.L.C. - note receivable line of credit with interest rate of 5.75% per annum; principal and interest due February 28, 2018. | \$ 10,575 | \$ 10,575 |
| NBC - USA Housing Inc Twenty-Six - (HOME funds) note receivable with interest at 0% per annum; principal is due March 28, 2033. | 475,000 | 396,150 |
| GCHP - HF Bridge Loan - note receivable with interest at 2% per annum; interest is due annually at December 31 and all unpaid principal and interest is due at December 31, 2019. | 1,106,816 | 1,106,816 |
| Midtown Land - note receivable with interest at 0% per annum; repayable in twelve monthly installments of \$3,558. The note matures August 30, 2019. | <u>28,464</u> | <u>-</u> |
| Total notes receivable | 16,238,709 | 16,145,857 |
| Less – current maturities | <u>(1,158,096)</u> | <u>(418,369)</u> |
| Total notes receivable, less current portion | <u>\$ 15,080,613</u> | <u>\$ 15,727,488</u> |

Accrued interest receivable on the above notes totaled \$569,443 and \$485,519 as of December 31, 2018 and 2017, respectively. Accrued interest receivable is included in receivables in the consolidated statements of financial position.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(6) Long-Term Debt

Notes payable are generally non-recourse and secured by the respective properties unless otherwise noted. Details of long-term debt are as follows as of December 31:

| <u>Corporate Debt</u> | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|
| Unsecured acquisition/predevelopment/development loans, bearing interest from 1% to 5.5%, with interest-only payments due monthly/semi-annual/quarterly, with the exception of one loan that has a monthly principal and interest amortization, to be repaid in full at maturity at various dates through 2025. Interest expense was \$273,634 and \$276,146 in 2018 and 2017, respectively. | \$ 12,314,034 | \$ 11,082,469 |
| State agency loans designated for pass through construction funding, bearing 0% interest, forgivable or assignable at the end of the five year compliance period, beginning upon meeting occupancy requirements for the property. In the event of non-compliance, the funding will mature on various dates through 2059. | 4,403,312 | 4,000,000 |
| Unsecured, recourse, qualified low income community investment (QLICI) loans, bearing interest at 1% with annual interest only payments through December 10, 2020 and as of December 10, 2021 monthly principal and interest payments in an amount sufficient to fully amortize the outstanding principal balance as of the maturity date of December 21, 2044. Interest expense was \$33,500 and \$20,000 in 2018 and 2017, respectively. | 2,000,000 | 2,000,000 |
| Secured, recourse lines of credit, totaling \$9,000,000 of available credit for predevelopment/construction financing, bearing interest from 3.72% to 5.75% payable monthly, with entire principal to be repaid in full at maturity at various dates through 2021. Interest expense was \$152,037 and \$67,250 in 2018 and 2017, respectively. | 2,744,977 | 2,853,605 |

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(6) Long-Term Debt (continued)

| <u>Corporate Debt (continued)</u> | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| Secured, non-recourse working capital lines of credit, bearing interest from 4.85% to 5.00% payable monthly, with entire principal to be repaid in full at maturity of various dates through December 11, 2019. Interest expense was \$29,703 and \$24,939 in 2018 and 2017, respectively. | \$ 388,952 | \$ 888,952 |
| Total corporate debt | <u>21,851,275</u> | <u>20,825,026</u> |
| <u>Partnership Debt</u> | | |
| Louisiana state agency loans, bearing interest from 0% to 4.9%, principal and interest payments are payable from property cash flow. To be repaid in full at various dates through 2059. Amortization of debt issuance cost and interest expense was \$311,086 and \$243,869 in 2018 and 2017, respectively. | \$ 28,310,186 | \$ 25,660,304 |
| Secured, recourse qualified low-income community investment (QLICI) loans, bearing interest from 0.63% to 3.50% payable quarterly. Principal to be repaid in full at various dates through 2053. Amortization of debt issuance cost and interest expense was \$145,963 and \$159,056 in 2018 and 2017, respectively. | 12,844,452 | 14,560,000 |
| Secured, recourse acquisition and construction loans, bearing interest at fixed and variable rates from 1.24% to 4.75% payable monthly, with principal to be repaid in full at maturity or convertible to permanent financing with maturities from 2020 to 2058. Capitalized interest was \$160,889 and \$166,049 and interest expense was \$151,550 and \$172,641 in 2018 and 2017, respectively. | 7,977,236 | 16,380,693 |

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(6) Long-Term Debt (continued)

| <u>Partnership Debt (continued)</u> | <u>2018</u> | <u>2017</u> |
|---|----------------------|-----------------------|
| Louisiana state agency loans, bearing 0% interest, forgiven during the compliance period or forgivable or assignable at the end of the compliance period ranging from 5 to 20 years, beginning upon issuance of the conversion certificate or meeting occupancy requirements for the property. In the event of non-compliance, maturity dates range from 2026 to 2047. | \$ 8,306,112 | \$ 9,051,426 |
| Permanent, secured conventional loans, bearing interest from 1.99% to 8%, generally with principal and interest due monthly, to be repaid in full at various dates through 2051. Interest expense was \$1,397,319 and \$958,516 in 2018 and 2017, respectively. | 17,537,027 | 31,057,180 |
| Secured, non-recourse, partner loan from pass through rehabilitation financing, bearing interest from 4% to 4.35%, with interest and principal payable from property cash flow. To be repaid in full at December 31, 2058. Interest expense was \$92,659 and \$19,949 in 2018 and 2017, respectively, and interest capitalized was \$0 and \$59,074 in 2018 and 2017, respectively. | 2,202,740 | 2,202,740 |
| Total partnership debt | <u>77,177,753</u> | <u>98,912,343</u> |
| Total debt | 99,029,028 | 119,737,369 |
| Less – current maturities of construction loans | - | (1,458,959) |
| Less – current maturities of remaining long term debt | (4,460,621) | (2,947,576) |
| Less – unamortized debt issuance costs, net | (1,762,828) | (2,251,833) |
| Total debt, less current maturities | <u>\$ 92,805,579</u> | <u>\$ 113,079,001</u> |

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(6) Long-Term Debt (continued)

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

| | |
|--------------------------|----------------------|
| 2019 | \$ 4,460,621 |
| 2020 | 6,534,531 |
| 2021 | 2,063,263 |
| 2022 | 4,656,474 |
| 2023 | 2,258,009 |
| Thereafter | 35,833,780 |
| Loans based on cash flow | 30,512,926 |
| Forgivable loans | 12,709,424 |
| | <u>\$ 99,029,028</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 on the achievement of certain milestones specified by the loan agreements. Bonds payable from long-term debt represent current maturities to be paid from long-term debt secured in the current year. Transferrable loans are loans whereby the obligation terminates upon conditions met per the loan agreements.

(7) Deferred Revenue

Deferred revenue is summarized as follows at December 31:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|---------------------|---------------------|
| Developer fees – contractual deferred | \$ 1,394,623 | \$ 737,889 |
| Developer fees – recognition deferred | 1,558,870 | 2,521,052 |
| Capital lease revenue | - | 92,782 |
| Recoverable grants | 300,000 | 300,000 |
| Total deferred revenue | <u>\$ 3,253,493</u> | <u>\$ 3,651,723</u> |

Included in deferred revenue are recoverable grants and deferred development fees at December 31, 2018 and 2017. Recoverable grants are amounts that are contractually due back to the grantor after a specified time period. Development fees are deferred based on either the contractual agreement for a respective project or deferred because of GCHP's revenue recognition policy.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(8) Commitments and Contingencies

Loan Guarantees

GCHP is contingently liable for a CDBG loan between GCHP Housing Finance, Inc. and State of Louisiana, Office of Community Development. The loan, dated November 27, 2013, is for \$1,000,000 of which \$1,000,000 was outstanding at December 31, 2018 and 2017, respectively. The note has an interest rate of 1% per annum. Interest is payable monthly until a balloon payment in the amount of \$191,982 is due on October 27, 2019. The remaining interest and principal is payable monthly, due November 27, 2043.

GCHP is contingently liable for multiple loans between GCHP Housing Finance, Inc. and lenders on the 2700 Bohn project. The notes are dated December 5, 2017 with total principal of \$9,345,743. They bear interest rates from 5.75% to 6.09% and mature from 2019 to 2024. GCHP is contingently liable for multiple loans between Odyssey House Investment Fund, LLC and GCHP Housing Finance, Inc. The notes are dated December 5, 2017 with total principal of \$9,858,384. They bear interest rates from 1.595212% to 6.09% and mature from 2024 to 2038.

Tax Credits

GCHP has entered into various guarantee agreements related to particular transactions that include completion, operating deficits and tax credit guarantees. These agreements guarantee the completion, compliance and ongoing operations of properties. GCHP could be required to fund all or a portion of any deficits or tax credit adjustments that may arise from these guarantees. In the opinion of management, GCHP does not anticipate any significant funding requirements as a result of these guarantee agreements.

(9) Related Party Transactions

Enterprise Community Partners, Inc.

During the years ended December 31, 2018 and 2017, Enterprise Community Partners, Inc. awarded GCHP with operating grants. GCHP recorded a total of \$49,850 and \$62,435 on the consolidated statements of activities as grant income for the years ended December 31, 2018 and 2017, respectively. A Vice President of Enterprise is a board member of GCHP.

The Housing Partnership Network, Inc.

On June 27, 2017 and November 13, 2018, GCHP entered into separate promissory notes with the Housing Partnership Network, Inc. (HPN). The President of HPN is a board member of GCHP. The notes have an interest rate of 4% and 4.5%, respectively. The notes had an outstanding balance of \$1,000,000 and \$1,500,000 as of December 31, 2018 and December 31, 2017, respectively.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(9) Related Party Transactions (continued)

Capital Area Alliance for the Homeless

GCHP-Scott, LLC has a loan with the Capital Area Alliance for the Homeless (CAAH). CAAH is a partner in a GCHP consolidated entity. At December 31, 2018 and 2017, the outstanding balance on the loan was \$384,000 and the interest rate was 4.35%.

NBC USA Housing

As disclosed in Note 5, GCHP has loaned funds to NBC USA Housing with principal balances of \$475,000 and \$396,150 as of December 31, 2018 and 2017, respectively. The Chairman of the Board of NBC USA Housing is a board member of GCHP.

Regions Bank

During the years ended December 31, 2018, December 31, 2017 and prior years, GCHP, or its affiliates, entered into loan agreements with Regions Bank. The Compliance Executive and a Senior Vice President of Regions Bank was a board member of GCHP for part of the year ended December 31, 2018. The notes had an outstanding balance of \$2,266,176 and interest rates ranging from 1.867% to 5% at December 31, 2018.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(10) Noncontrolling Interest

The following table reconciles the changes in net assets attributable to GCHP and the noncontrolling interests in less than 100% owned consolidated subsidiaries:

| | Total | Controlling Interest | Noncontrolling Interest |
|--|----------------------|-------------------------|----------------------------|
| Balance December 31, 2016 | \$ 63,762,191 | \$ 27,317,612 | \$ 36,444,579 |
| Change in net assets | (561,851) | 2,235,141 | (2,796,992) |
| Contributions to subsidiaries by noncontrolling shareholders | 2,142,950 | - | 2,142,950 |
| Transfer of GP Interest | 5,005,340 | 1,591,000 | 3,414,340 |
| Change in consolidated net assets | 6,586,439 | 3,826,141 | 2,760,298 |
| Balance December 31, 2017 | 70,348,630 | 31,143,753 | 39,204,877 |
| Change in net assets | 2,273,753 | 6,973,776 | (4,700,023) |
| Contributions to subsidiaries by noncontrolling shareholders | 11,963,279 | - | 11,963,279 |
| Sale of partnership interest | 2,129,406 | - | 2,129,406 |
| Change in consolidated net assets | 16,366,438 | 6,973,776 | 9,392,662 |
| Balance December 31, 2018 | <u>\$ 86,715,068</u> | <u>\$ 38,117,529</u> | <u>\$ 48,597,539</u> |

Capital contributions to and distributions from consolidated subsidiaries by noncontrolling interests for the years ended December 31, 2018 and 2017 are as follows:

| <u>Subsidiaries</u> | <u>2018</u> | <u>2017</u> |
|-----------------------------------|----------------------|---------------------|
| Beau Sejour Apartments, L.P. | \$ 1,152,004 | \$ 509,286 |
| GCHP-Elysian II, LLC | 2,016,000 | (5,451,318) |
| FW Springs, L.P. | (461,974) | 834,840 |
| Gabriel Villa Apartments, L.P. | 1,670,407 | 75,000 |
| 1626 OCH, LLC | 62,781 | - |
| GCHP-Esplanade, L.L.C. | - | (6,348) |
| GCHP-Hammond, L.L.C. | 5,734,416 | 783,154 |
| GCHP-MLK, L.L.C. | (4,410) | - |
| GCHP-Jefferson Davis, L.L.C. | 1,794,055 | - |
| Raymond Road Partners, L.P. | - | 169,836 |
| Village at the Beverly, L.L.C. | - | 347,000 |
| West Millsaps, L.L.C. | - | 4,881,500 |
| Net contributions to subsidiaries | <u>\$ 11,963,279</u> | <u>\$ 2,142,950</u> |

The sale of partnership interest during the year ended December 31, 2018 in the amount of \$2,129,406 is related to FW Springs. Transfer of general partnership interest during the year ended December 31, 2017, in the amount of \$3,584,176 is related to Raymond Road.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(11) Geographic Concentrations

GCHP owns, develops, holds, sells, leases, transfers, exchanges, operates and manages all types of real estate projects, including any buildings and other improvements in the Gulf South region.

(12) Grant Programs

GCHP participates in a number of Federal programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that GCHP has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of December 31, 2018 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying consolidated financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and GCHP.

(13) Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, April 30, 2019, and determined that no items require disclosure. No events after this date have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTAL INFORMATION

GULF COAST HOUSING PARTNERSHIP, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2018

Chief Executive Officer Name: Kathy Laborde

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

Gulf Coast Housing Partnership, Inc. does not meet the requirement to report the total compensation, reimbursements, and benefits paid to the Chief Executive Officer as these costs are not paid from public funds.

See accompanying independent auditors' report.

GULF COAST HOUSING PARTNERSHIP, INC.

SINGLE AUDIT REPORT

DECEMBER 31, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

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GULF COAST HOUSING PARTNERSHIP, INC.

SINGLE AUDIT REPORT

DECEMBER 31, 2018

Gulf Coast Housing Partnership, Inc.

Single Audit Report

December 31, 2018

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

To the Board of Directors and Officers
Gulf Coast Housing Partnership, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Gulf Coast Housing Partnership Inc. (a nonprofit organization) (GCHP), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 30, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GCHP'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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
April 30, 2019



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

The Board of Directors and Officers
Gulf Coast Housing Partnership, Inc.

Report on Compliance for Each Major Federal Program

We have audited Gulf Coast Housing Partnership Inc.'s (a nonprofit organization) (GCHP) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on GCHP's major federal programs for the year ended December 31, 2018. GCHP's 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of GCHP'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 GCHP's 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 GCHP's compliance.

Opinion on Each Major Federal Program

In our opinion, GCHP 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 program for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of GCHP 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 GCHP'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 GCHP'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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of GCHP as of and for the year ended December 31, 2018, and have issued our report thereon dated April 30, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Postlethwaite & Netterville

Metairie, Louisiana
June 26, 2019

Gulf Coast Housing Partnership, Inc.
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2018

| <u>Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name</u> | <u>Federal CFDA Number</u> | <u>Grant Number/ Pass-Through Entity Identifying Number</u> | <u>Loan Balance at December 31, 2017</u> | <u>Federal Expenditures in 2018</u> | <u>Loan Balance at December 31, 2018</u> |
|---|------------------------------------|---|--|---|--|
| U.S. Department of the Treasury: | | | | | |
| Pass-through program from: Capital Magnet Fund | 21.011 | 171CM022253 | | \$ 1,525,001 | |
| U.S. Department of Housing and Urban Development: | | | | | |
| Pass-through program from: Enterprise Community Partners Housing and Urban Development (HUD) | 14.252 | 16SG0402 & 17SG0736 | | 69,636 | |
| Pass-through program from: NeighborWorks America | 21.115.141 | R-NONINT-2018-50914 | | <u>75,000</u> | |
| Total Federal Grant Expenditures | | | | <u>\$ 1,669,637</u> | |
| Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | 14.228 | OCD #17 & OCD #9 | \$ 3,241,713 | \$ - | \$ 3,274,104 |
| Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | 14.228 | OCD #23 | 7,809,816 | - | 7,717,728 |
| Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | 14.228 | IG-2010-03 | 495,556 | - | 495,556 |

See accompanying notes to the schedule of expenditures of federal awards.

Gulf Coast Housing Partnership, Inc.
Schedule of Expenditures of Federal Awards (continued)
For the year ended December 31, 2018

| Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name | Federal CFDA Number | Grant Number/ Pass-Through Entity Identifying Number | Loan Balance at December 31, 2017 | Federal Expenditures in 2018 | Loan Balance at December 31, 2018 |
|---|------------------------------------|---|--|---|--|
| U.S. Department of Housing and Urban Development: | | | | | |
| Pass-through program from: | | | | | |
| Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | | | | | |
| | 14.228 | 17RHPS1505 | \$ 1,400,000 | \$ - | \$ 1,400,000 |
| New Orleans Redevelopment Authority Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | | | | | |
| | 14.228 | unknown | - | 89,898 | 89,898 |
| East Baton Rouge Redevelopment Authority Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | | | | | |
| | 14.228 | unknown | - | 403,312 | 403,312 |
| Pass-through program from: | | | | | |
| Louisiana Housing Corporation (LHC) Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | | | | | |
| | 14.228 | unknown | <u>1,723,937</u> | <u>-</u> | <u>1,723,937</u> |
| Total Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | | | <u>14,671,022</u> | <u>493,210</u> | <u>15,104,535</u> |

See accompanying notes to the schedule of expenditures of federal awards.

Gulf Coast Housing Partnership, Inc.
Schedule of Expenditures of Federal Awards (continued)
For the year ended December 31, 2018

| <u>Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name</u> | <u>Federal CFDA Number</u> | <u>Grant Number/ Pass-Through Entity Identifying Number</u> | <u>Loan Balance at December 31, 2017</u> | <u>Federal Expenditures in 2018</u> | <u>Loan Balance at December 31, 2018</u> |
|--|------------------------------------|---|--|---|--|
| U.S. Department of Housing and Urban Development: | | | | | |
| Pass-through program from: Louisiana Housing Corporation (LHC) HOME Investment Partnership Loan | 14.239 | 2014-HOME-TC-005 | \$ 624,613 | \$ - | \$ 624,613 |
| Pass-through program from: Louisiana Housing Corporation (LHC) HOME Investment Partnership Loan | 14.239 | LHGP 09-09 | 327,500 | - | 302,500 |
| Pass-through program from: Louisiana Housing Corporation (LHC) HOME Investment Partnership Loan | 14.239 | M-14-SG-22-0100 | 1,300,000 | 200,000 | 1,500,000 |
| Pass-through program from: Louisiana Housing Corporation (LHC) HOME Investment Partnership Loan | 14.239 | Unknown | 510,862 | 1,110,000 | 1,620,862 |
| Pass-through program from: City of Baton Rouge, Office of Community Development HOME Investment Partnership Loan | 14.239 | Unknown | - | 1,900,000 | 1,900,000 |
| Total HOME Investment Partnership Loan | | | <u>2,762,975</u> | <u>3,210,000</u> | <u>5,947,975</u> |

See accompanying notes to the schedule of expenditures of federal awards.

Gulf Coast Housing Partnership, Inc.
Schedule of Expenditures of Federal Awards (continued)
For the year ended December 31, 2018

| <u>Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name</u> | <u>Federal CFDA Number</u> | <u>Grant Number/ Pass-Through Entity Identifying Number</u> | <u>Loan Balance at December 31, 2017</u> | <u>Federal Expenditures in 2018</u> | <u>Loan Balance at December 31, 2018</u> |
|---|------------------------------------|---|--|---|--|
| U.S. Department of Housing and Urban Development: | | | | | |
| Pass-through program from: New Orleans Redevelopment Authority Neighborhood Stabilization Program (American Recovery and Reinvestment Act) | 14.256 | RD-18 | \$ 1,000,000 | \$ - | \$ 1,000,000 |
| Pass-through program from: Louisiana Housing Corporation (LHC) Neighborhood Stabilization Program (American Recovery and Reinvestment Act) | 14.256 | RD-13 | <u>905,524</u> | <u>-</u> | <u>854,720</u> |
| Total Neighborhood Stabilization Program | | | <u>1,905,524</u> | <u>-</u> | <u>1,854,720</u> |
| Pass-through program from: Louisiana Housing Corporation (LHC) Tax Credit Assistance Program (TCAP) (American Recovery and Reinvestment Act) | 14.258 | 09(PC)-17 | <u>1,000,000</u> | <u>-</u> | <u>1,000,000</u> |
| Total Federal Award Loans | | | <u>\$ 20,339,521</u> | <u>\$ 3,703,210</u> | <u>\$ 23,907,230</u> |
| Total Federal Grant Expenditures | | | | <u>\$ 1,669,637</u> | |
| Loan Balance at December 31, 2017 | | | | 20,339,521 | |
| Total Federal Loan Expenditures in 2018 | | | | <u>3,703,210</u> | |
| Total Federal Award Loans | | | | <u>24,042,731</u> | |
| Total Federal Award Expenditures | | | | <u>\$ 25,712,368</u> | |

See accompanying notes to the schedule of expenditures of federal awards.

Gulf Coast Housing Partnership, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2018

1. General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal awards of Gulf Coast Housing Partnership, Inc. (GCHP). 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). The GCHP reporting entity is defined in Note 1 to the consolidated financial statements for the year ended December 31, 2018. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other government agencies. The Schedule presents only a selected portion of the operations of GCHP; it is not intended to and does not present the consolidated financial position, consolidated statement of activities, or consolidated cash flows of GCHP.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented using the accrual basis of accounting, which is described in Note 1 to GCHP's consolidated financial statements for the year ended December 31, 2018. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

GCHP has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Relationship to Financial Statements

Federal award expenditures of \$25,712,368 are reported as follows:

| | |
|----------------------------|----------------------|
| Federal grants | \$ 1,669,637 |
| Long-term debt | 24,042,731 |
| Total federal expenditures | <u>\$ 25,712,368</u> |

Total federal award expenditures of \$1,669,637 are within the federal grant revenue reflected in the financial statements. The difference between the federal award expenditures and federal grant revenue is unexpended grant funds.

Total federal award loans at December 31, 2018 is reported as follows:

| | |
|---|----------------------|
| Total federal award loans per SEFA | \$ 24,042,731 |
| Repayments during 2018 | (135,501) |
| Ending balances reflected in long-term debt | <u>\$ 23,907,230</u> |

Gulf Coast Housing Partnership, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2018

4. Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports, except for the amounts in reports submitted subsequent to December 31, 2018.

5. Notes Payable to Federal Agencies

GCHP – Esplanade, LLC, a consolidated subsidiary owned .009% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for \$3,179,799 dated August 1, 2014. The note has an interest rate of 1% per annum. Principal is payable annually commencing May 1, 2015 through August 1, 2049 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – Esplanade, LLC. The balance of \$3,274,104 and \$3,241,713 was outstanding as of December 31, 2018 and 2017, respectively. Any accrued but unpaid interest shall be added to and become part of the unpaid principal balance and shall bear interest at the rate or rates specified in the Note. Interest to principal capitalized during the year ended December 31, 2018 was \$32,391.

GCHP – MLK, LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for \$8,101,036 dated March 31, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2012 through March 31, 2046 to the extent of surplus cash. The note is collateralized by the property owned by GCHP – MLK, LLC. The balance of \$7,717,728 and \$7,809,816 was outstanding as of December 31, 2018 and 2017, respectively. Payment of principal of \$92,588 was recorded on the loan during the year ended December 31, 2018.

GCHP – One Stop, LLC, a consolidated subsidiary owned 52% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for \$500,000 dated July 21, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2012 through July 21, 2046 to the extent of surplus cash approved by the agency. The note is collateralized by the property owned by GCHP – One Stop, LLC. The balance of \$495,556 was outstanding as of December 31, 2018 and 2017.

Gulf Coast Housing Partnership, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2018

5. Notes Payable to Federal Agencies (continued)

GCHP - MidCity LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for \$1,400,000 dated December 6, 2012. The note has an interest rate of 0% per annum. The note is forgivable five years after maintaining compliance with occupancy requirements. All outstanding principal shall be due and payable on December 5, 2047. The note is collateralized by property owned by GCHP – MidCity LLC. The balance of \$1,400,000 was outstanding as of December 31, 2018 and 2017, respectively.

1626 OCH, a consolidated subsidiary owned 50% by GCHP, received funding under the Community Development Block Grants/ State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for \$500,000 dated May 31, 2018. The note has an interest rate of 2.5% per annum. Interest only payments shall be payable in arrears commencing on the first day of the calendar month following the date of the initial disbursements of loan. Payment on the principal and interest shall be made beginning on the initial principal payment date and continuing on the first day of each calendar month thereafter until the Maturity date of May 30, 2038. The note is collateralized by the property owned by 1626 OCH. The balance of \$89,898 was outstanding as of December 31, 2018.

Elysian II, L.L.C, a consolidated subsidiary owned .01% by GCHP, received funding under the Community Development Block Grants/ State's Program by entering a promissory note with the East Baton Rouge Redevelopment Authority for \$806,625 dated January 1, 2018. The note bears interest at a rate of 0% per annum. The loan shall mature on June 1, 2059. The balance of \$403,312 was outstanding as of December 31, 2018.

GCHP – MLK, LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the Louisiana Housing Corporation for \$1,723,937 dated April 5, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2013 through May 1, 2046 to the extent of surplus cash. The note is collateralized by the property owned by GCHP – MLK, LLC. The balance of \$1,723,937 was outstanding as of December 31, 2018 and 2017.

GCHP – Esplanade, LLC, a consolidated subsidiary owned .009% by GCHP, received funding under the HOME Investment Partnership Act by entering into a promissory note with the Louisiana Housing Corporation for \$500,000 dated August 12, 2014. The note has an interest rate of 0% per annum. Principal is payable annually commencing April 1, 2016 through August 1, 2049 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – Esplanade. The balance of \$624,613 was outstanding as of December 31, 2018 and 2017.

Gulf Coast Housing Partnership, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2018

5. Notes Payable to Federal Agencies (continued)

GCHP – Scott, LLC, a wholly-owned subsidiary of GCHP, received funding under the HOME Investment Partnership Act by entering into a promissory note with the Louisiana Housing Corporation for \$500,000 dated March 26, 2010. The note is to be forgiven over 20 years beginning December 31, 2011. The note has an interest rate of 0% per annum. Principal is due only upon default under the HOME Affordable Rental Housing Program Agreement. The note is collateralized by the property owned by GCHP – Scott, LLC. The balance of \$302,500 and \$327,500 was outstanding as of December 31, 2018 and 2017, respectively. Forgiveness of debt of \$25,000 was recorded on the loan during the year ended December 31, 2018.

Gabriel Villa Apartments, L.P., a consolidated subsidiary owned .0051% by GCHP, received funding under the HOME Investment Partnership Act by entering into a promissory note with the Louisiana Housing Corporation for \$1,500,000 dated March 1, 2017. The note bears interest at a rate of 2.68% per annum and shall be repaid in annual installments on or before April 1 of each calendar year. Payments shall be equal to 50% of surplus cash. The HOME Loan shall mature on April 1, 2057. The note is collateralized by the property owned by Gabriel Villa Apartments, L.P. The balance of \$1,500,000 and \$1,300,000 was outstanding as of December 31, 2018 and 2017, respectively.

Beau Sejour Apartments, L.P., a consolidated subsidiary owned .0046% by GCHP, received funding under the HOME Investment Partnership Act by entering into a promissory note with the Louisiana Housing Corporation for \$1,770,862 dated September 1, 2017. The note bears interest at a rate of 2.0% per annum and shall be repaid in annual installments on or before April 1 of each calendar year. Payments shall be equal to 50% of surplus cash. The HOME Loan shall mature on September 1, 2048. The note is collateralized by the property owned by Beau Sejour Apartments, L.P. The balances of \$1,620,862 and \$510,862 was outstanding as of December 31, 2018 and 2017, respectively.

Elysian II, L.L.C, a consolidated subsidiary owned .01% by GCHP, received funding under the HOME Investment Partnership Act by entering a promissory note with the Office of Community Development for \$2,000,000 dated January 11, 2018. The note bears interest at a rate of 0% per annum except in the event of a default in the payment, in which case the interest shall be due and payable from the date of the execution of the note at the rate of 12% per annum. Payments shall be made in \$1,000 monthly beginning on September 1, 2018. The HUD loan shall mature on June 1, 2059. The balance of \$1,900,000 was outstanding as of December 31, 2018.

GCHP – One Stop, LLC, a subsidiary owned 52% by GCHP, received funding under the Neighborhood Stabilization Program by entering into a promissory note with the Louisiana Housing Corporation for \$1,000,000 dated July 29, 2010. The note has an interest rate of 0% per annum. Principal and interest are payable annually commencing April 1, 2012 through January 1, 2040 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – One Stop, LLC. The balance of \$1,000,000 was outstanding as of December 31, 2018 and 2017.

Gulf Coast Housing Partnership, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2018

5. Notes Payable to Federal Agencies (continued)

GCHP – Scott, LLC, a wholly-owned subsidiary of GCHP, received funding under the Neighborhood Stabilization Program (NSP) by entering into a promissory note with the Louisiana Housing Corporation for \$1,000,000 dated March 26, 2010. The note has an interest rate of 2.00% per annum. Principal and interest are payable annually commencing April 1, 2012 through April 1, 2031, to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP-Scott, LLC. The balance of \$854,720 and \$905,524 was outstanding as of December 31, 2018 and 2017, respectively.

GCHP – One Stop, LLC, a consolidated subsidiary owned 52% by GCHP, received funding under the Tax Credit Assistance Program by entering into a promissory note with the Louisiana Housing Corporation for \$1,000,000 dated July 29, 2010. The note has an interest rate of 0% per annum. Principal and interest are payable annually commencing April 1, 2012 through July 1, 2050 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – One Stop, LLC. The balance of \$1,000,000 was outstanding as of December 31, 2018 and 2017.

Gulf Coast Housing Partnership, Inc.

Schedule of Findings and Questioned Costs

Year ended December 31, 2018

1) Financial Statements

a) Type of report issued on the financial statements: Unmodified Opinion

b) Internal control over financial reporting:

Material weakness identified: No

Significant deficiency identified not considered to be material weakness: None reported

Noncompliance material to financial statements noted: No

2) Federal Awards

a) Internal control over major programs:

Material weakness identified: No

Significant deficiency identified not considered to be material weakness: None reported

b) Type of auditors' report issued on compliance for major programs: Unmodified Opinion

c) Any audit findings disclosed that are required to be reported in accordance with The Uniform Guidance, Section 510(a): No

d) The following is an identification of major programs:

United States Department of Housing and Urban Development

- CFDA No. 14.239 – HOME Investment Partnership Program
- CFDA No. 14.256 – Neighborhood Stabilization Program
- CFDA No. 14.258 – Tax Credit Assistance Program

United States Department of the Treasury

- CFDA No. 21.011 – Capital Magnet Fund

e) The dollar threshold used to distinguish between Type A and Type B Programs, as described in the Uniform Guidance was \$750,000.

f) Did the auditee qualify as a low risk auditee under the Uniform Guidance? No

3) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*: None

4) Findings and Questioned Costs relating to Federal Awards: None

**Independent Accountants' Report
On Applying Agreed-Upon Procedures
For the Year Ended 2018**

To Board of Directors of Gulf Coast Housing Partnership and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Gulf Coast Housing Partnership (GCHP or the Entity) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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*. 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 performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*". If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

Written Policies and 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.

No exceptions noted.

- 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.

No exceptions noted.

- c) ***Disbursements***, including processing, reviewing, and approving

No exceptions noted

- d) **Receipts**, 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).

No exceptions noted.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No exceptions noted.

- 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.

No exceptions noted.

- 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)

N/A – Items purchased with public funds are never charged on credit cards.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

N/A – Travel and other expense reimbursements are never paid with public funding.

- 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.

N/A

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

N/A

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

Procedures were not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations

3. 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 selected each account, and observe that:

Procedures were not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- 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.

Collections

4. 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).

A listing of deposit sites was provided and included a total of 1 deposit site. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the one deposit site noted above and performed the procedures below.

5. 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 listing of collection locations for the deposit site selected in procedure #4 was provided and included one collection location. No exceptions were noted as a result of performing this procedure.

This collection location was selected. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions noted.

- 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.

No exceptions noted.

- 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.

No exceptions noted.

- 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.

No exceptions noted.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Management stated that all employees who have access to cash are bonded and/or covered under the Entity's insurance policy.

7. Randomly select two deposit dates for each of the 5 bank accounts selected testing. If no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

We selected two deposit dates for each of the 5 bank accounts selected. We obtained supporting documentation for each of the deposits and performed the procedures below.

- a) Observe that receipts are sequentially pre-numbered.

The Entity does not maintain sequentially pre-numbered receipts.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

The Entity does not maintain sequentially pre-numbered receipts, system reports, or other related collection documentation. As such, we were unable to perform the procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- 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).

It is not company policy to maintain documentation such as sequentially numbered receipts, system report, or reconciliation worksheets when payments are received. Accounts receivable system reports are used to routinely monitor and verify the completeness of collections.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

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

These procedures were not performed due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

8. 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).
9. For each location selected under #8 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.
 - 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.
10. For each location selected under #8 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.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

N/A – Items purchased with public funds are never charged on credit cards.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

N/A – Travel and other expense reimbursements are never paid with public funding.

Contracts

These procedures were not performed due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

11. 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).
 - 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.

Payroll and Personnel

These procedures were not performed due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

12. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
13. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
14. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:
15. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

N/A – Nonprofits are excluded from the ethics requirement.

Debt Service

N/A – Nonprofits are excluded from the debt service requirement.

Other

16. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No exceptions were noted as a result of performing this procedure.

17. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The notice was posted on the Entity's website and posted in the copy room.

Corrective Action

18. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

7 - The organization will continue to monitor the procedures to ensure risks are addressed.

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.

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.

Sincerely,



June 14, 2019