

PARTNERS FOR PROGRESS, INCORPORATED
A COMPONENT UNIT OF
THE
HOUSING AUTHORITY OF EAST BATON ROUGE PARISH
BATON ROUGE, LOUISIANA
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
YEAR ENDED SEPTEMBER 30, 2017

PARTNERS FOR PROGRESS, INCORPORATED

BATON ROUGE, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Partners for Progress, Incorporated
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Partners for Progress, Incorporated as of and for the year ended September 30, 2017, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 Corporation'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 Corporation'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 financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of September 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

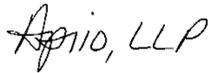
Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. Supplementary data is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Additionally, the accompanying Schedules of Compensation, Benefits and Other Payments to the Chief Executive Officer is presented for the Office of the Louisiana Legislative Auditor's information and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary data are the responsibility of management and were derived from and relate directly to the underlying accounting data and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting data and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2018 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Birmingham, Alabama
February 26, 2018

**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**

Board of Directors
Partners for Progress, Incorporated
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Corporation, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated February 26, 2018.

Internal Control Over Financial Reporting

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

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

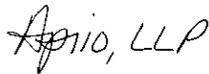
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be *material weaknesses* or *significant deficiencies*. Given these limitations, during our audit we did 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 the Corporation's financial statements are free of 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 Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, slightly slanted style.

Birmingham, Alabama

February 26, 2018

PARTNERS FOR PROGRESS, INCORPORATED

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2017

CURRENT ASSETS

| | |
|-----------------------------------|------------------|
| Cash and Cash Equivalents | \$ 171,131 |
| Accounts Receivable | 903,725 |
| Inventory of Assets Held for Sale | 346,334 |
| Prepaid Costs | 1,541 |
| Total Current Assets | <u>1,422,731</u> |

CAPITAL ASSETS

| | |
|--------------------------------|----------------|
| Equipment | <u>15,418</u> |
| | 15,418 |
| Less: Accumulated Depreciation | <u>(9,251)</u> |
| Total Capital Assets | <u>6,167</u> |

NOTES RECEIVABLE

980,200

TOTAL NON-CURRENT ASSETS

986,367

TOTAL ASSETS

\$ 2,409,098

See the accompanying notes to financial statements.

PARTNERS FOR PROGRESS, INCORPORATED

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2017

CURRENT LIABILITIES

| | |
|---|----------------|
| Accounts Payable | \$ 274 |
| Accrued Expenses | 8,571 |
| Due to The Housing Authority of East Baton Rouge Parish | 82,361 |
| Loans Payable | <u>860,084</u> |
| Total Current Liabilities | <u>951,290</u> |

NON-CURRENT LIABILITIES

| | |
|--------------------------------------|----------------|
| Loans Payable | <u>980,200</u> |
| Total Deposit Prepayment Liabilities | <u>980,200</u> |

TOTAL LIABILITIES 1,931,490

NET ASSETS

| | |
|---------------------------|----------------|
| Net Assets - Unrestricted | <u>477,608</u> |
| Total Net Assets | <u>477,608</u> |

TOTAL LIABILITIES AND NET ASSETS \$ 2,409,098

See the accompanying notes to financial statements.

PARTNERS FOR PROGRESS, INCORPORATED

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | |
|--------------------------------------|-------------------|
| REVENUES | |
| Sales Revenue | \$ 469,244 |
| Operating Grants | 90,000 |
| Construction Management Fees | 152,100 |
| Developer Fee Income | 77,294 |
| Miscellaneous Income | 40,897 |
| Total Program Revenues | <u>829,535</u> |
| EXPENSES | |
| Administrative Expenses | 191,642 |
| Utilities | 2,055 |
| Maintenance and Operations | 11,023 |
| Cost of Assets Sold | 501,225 |
| General Expense | 148,102 |
| Depreciation | 1,542 |
| Total Operating Expenses | <u>855,589</u> |
| OPERATING INCOME | (26,054) |
| NON-OPERATING REVENUES | |
| Interest Income | <u>22</u> |
| Total Non-Operating Revenues | <u>22</u> |
| (DECREASE) IN NET ASSETS | (26,032) |
| NET ASSETS, beginning of year | <u>503,640</u> |
| NET ASSETS, end of year | <u>\$ 477,608</u> |

See the accompanying notes to financial statements.

PARTNERS FOR PROGRESS, INCORPORATED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|---------------|
| Sales Proceeds | \$ 216,875 |
| Construction Management Fees Received | 100,000 |
| Developer Fees Received | 77,294 |
| Cash Received from Other Sources | 40,897 |
| Cash paid for Salaries and Benefits | (145,309) |
| Cash paid to Vendors | (99,317) |
| Cash paid to Vendors on Behalf of the Partnerships | (100,000) |
| Developer Fees Paid to EBRPHA | (7,729) |
| Net cash flows provided (used) by operating activities | <u>82,711</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|-----------|
| Cash Received from Interest Earnings | <u>22</u> |
| Net cash flows provided (used) by investing activities | <u>22</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|---|------------------|
| Debt Service Payments | (216,875) |
| Received from the EBRPHA | 21,565 |
| Net cash flows provided (used) financing activities | <u>(195,310)</u> |

NET (DECREASE) IN CASH AND CASH EQUIVALENTS (112,577)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 283,708

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 171,131

Continued on next page

See the accompanying notes to financial statements.

PARTNERS FOR PROGRESS, INCORPORATED
STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**RECONCILIATION OF OPERATING (LOSS)
TO NET CASH PROVIDED BY OPERATIONS:**

CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:

| | |
|--|------------------|
| Operating (Loss) | \$ (26,054) |
| Adjustments to reconcile operating loss to net cash provided/(used) by operating activities: | |
| Depreciation | 1,542 |
| Debt Forgiveness on City Note Payable | (184,375) |
| Loss on Realizeable Value of AHFS Basis | 99,198 |
| Change in Accounts Receivable | (309,292) |
| Change in Prepaid Expenses | (898) |
| Change in Inventory of AHFS | 501,225 |
| Change in Accounts Payable | (7,206) |
| Change in Accrued Expenses | 8,571 |
| Net cash provided (used) by operating activities | <u>\$ 82,711</u> |

See the accompanying notes to financial statements.

PARTNERS FOR PROGRESS, INC.
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Corporation is a not-for-profit Louisiana corporation. Financial statement presentation is in accordance with the Financial Accounting Standards Codification (ASC) for not-for-profit organizations. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles.

Cash

The Corporation considers cash on hand and cash in checking to be cash equivalents. Cash on hand is not included in calculation of collateral required.

Accounts Receivable

Accounts receivable consists of amounts due from Copper Oaks Partners, LLC (COP, LLC), an affiliate of the Corporation, for properties sold to COP, LLC (\$481,770) and for construction advances made to COP, LLC (\$279,855). Other receivables consist of grant proceeds due from FEMA (\$90,000), insurance proceeds (\$31,650) and an over-payment due from a vendor (\$20,450).

Prepaid Items

Prepaid items consist of payments made to vendors for services that will benefit future periods.

Accrued Expenses

Accrued expenses consist of accrued employee payroll and earned leave balances.

Inventory of Assets Held for Sale

Assets Held for Sale consist of land and infrastructure parcels available for sale. Assets Held for Sale are valued at the lower of cost of fair market value.

Capital Assets

Equipment items are carried at cost and are depreciated over five years. The costs of maintenance and repairs are expensed, while significant renewals and betterments are capitalized. Small dollar value minor equipment items are expensed.

Revenue Accounting Policies

Sales revenue, construction and developer fees, grant revenues and other miscellaneous operating revenues are reported as operating income. Earnings on bank deposits are reported as non-operating income.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - REPORTING ENTITY DEFINITION

Partners for Progress, Incorporated (the Corporation) is a not-for-profit Louisiana corporation, which was created as an instrumentality of The Housing Authority of East Baton Rouge Parish (the Authority) to develop low to moderate income housing in the Baton Rouge community. Because the Authority appoints a voting majority of the Corporation's governing body, and the Authority may significantly influence the activities of the Corporation, the Corporation is a component unit of the Authority. GASB Statement Nos. 14, 39 and 61 established criteria for determining the Authority's inclusion of the Corporation as a component unit of the Authority. Since the Corporation maintains a substantively different governing board than the Authority, and the benefits derived from the services the Corporation provides extend beyond the Authority, the Corporation is considered to be a discrete component unit of the Authority and the financial activity of the Corporation is reported separately in the financial statements of the Authority. The organization's fiscal year end is September 30.

The Corporation's financial statements include the financial statements of the following wholly owned limited liability companies:

Partners for Progress Development Company, LLC was created to function as an instrumentality of the Corporation to facilitate the development of twenty-five single family rental homes for low to moderate income families known as Brookstown Place Subdivision. Partners for Progress, Incorporated is the sole member of Partners for Progress Development Company, LLC.

Cedar Pointe Development, LLC was created to function as an instrumentality of the Corporation to facilitate the development of eighty single family rental homes for low to moderate income families known as Cedar Pointe Subdivision. Partners for Progress, Incorporated is the sole member of Cedar Pointe Development, LLC.

Wesley Chapel Development, LLC was created to function as an instrumentality of the Corporation to facilitate the rehabilitation of an eighty-two unit apartment complex for low to moderate income families known as Wesley Chapel Apartments. Partners for Progress, Incorporated is the sole member of Wesley Chapel Development, LLC.

Hospital Plaza I, LLC was created to function as an instrumentality of the Corporation to facilitate the development of a townhouse community for low income families known as Willow Creek Townhomes. Partners for Progress, Incorporated is the sole member of Hospital Plaza I, LLC.

Colonial Courts I, LLC was created to function as an instrumentality of the Corporation to facilitate the development of a townhouse community for low income families know as Autumn Place Townhomes. Partners for Progress, Incorporated is the sole member of Colonial Courts I, LLC.

Roosevelt Terrace, LLC was created to function as an instrumentality of the Corporation to facilitate the rehabilitation and development of an apartment complex for low income families know as Roosevelt Terrace Apartments. Partners for Progress, Incorporated is the sole member of Roosevelt Terrace, LLC.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE C - CASH AND INVESTMENT DEPOSITS

Custodial Credit Risk – The Corporation's policy is to limit credit risk by adherence to investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Interest Rate Risk – The Corporation's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

The Corporation's cash and cash equivalents consist of cash held in an interest bearing checking account, totaling a \$171,131. As of September 30, 2017, the Corporation's bank balances were secured by the FDIC.

NOTE D – SIGNIFICANT ESTIMATES

These financial statements are prepared in accordance with generally accepted accounting principles. The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to doubtful collection allowances against notes and accounts receivable and allocable shares of developer fees receivable. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

NOTE E – RISK MANAGEMENT

The Corporation is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a component unit of the Authority, the Corporation is covered by the Authority's insurance policies. The Authority carries commercial insurance for all risks of loss, including workman's compensation and employee health and accident insurance. The Corporation, through the Authority, has not had any significant reductions in insurance coverage or any claims not reimbursed, with the exception of a \$31,650 receivable as of fiscal year-end.

NOTE F – CONCENTRATION OF RISK

The Corporation receives funding from various affiliated partnerships. Many of these funding arrangements are dependent upon the partnerships attaining various cash flow thresholds and other financing sources.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE G – RELATED PARTY TRANSACTIONS

Developer Fees and Notes Receivable

Through the Corporation's wholly owned subsidiary entities (Partners for Progress Development Corporation, LLC; Cedar Pointe Development, LLC; Wesley Chapel Development, LLC; Hospital Plaza I, LLC; Colonial Courts I, LLC; and Roosevelt Terrace, LLC) the Corporation has earned developer fees from each of the Partnerships for overseeing the construction and development of four apartment complexes and two townhouse communities. During the fiscal year, the Corporation did not receive developer fees from the Partnerships. As of September 30, 2017, the Corporation's estimated share of the outstanding balances of the developer fee receivables due from the applicable partnerships amounted to \$120,052. Due to uncertainties regarding collectability, Corporation management has elected to reserve the entire amount of the receivables, and to recognize income as funds are received.

During fiscal year 2014, the Corporation funded a \$500,000 loan to Wesley Chapel Development, LP under a loan agreement dated in September of 2011, to assist with the construction of the Wesley Chapel Apartments complex. The note is secured with a subordinate mortgage on the property and does not bear interest. The loan is payable from the available income and cash flow of the borrower, as stipulated in the Loan Agreement and matures in July of 2044. The outstanding balance of the note was \$500,000 as of September 30, 2017.

During fiscal year 2015, the Corporation funded a \$480,200 loan to EBRPHA Development 4, LP to assist with the rehabilitation of the Roosevelt Terrace Apartments complex. The non-recourse note is secured with a subordinate mortgage on the property which has been subsequently assigned to Capital One National Association to secure a related loan issued from the Corporation to Capital One National Association. The loan bears interest at a rate of .25% per annum and is payable from the available income and cash flow of the borrower, as stipulated in the Loan Agreement. The loan matures in September of 2055 and outstanding balance was \$480,200 as of September 30, 2017.

Other Related Party Transactions

During fiscal year 2017 the Authority advanced the Corporation operating advances in the amount of \$21,565. As of September 30, 2017, the Corporation owed the Authority \$82,361 consisting of operating advances.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE H – RELATED PARTNERSHIPS

Through its wholly owned limited liability companies, the Corporation is the general partner in the following Partnerships:

Balance Sheets as of December 31, 2016

| | Brookstown Place Partnership 12/31/2016 | Cedar Pointe Subdivision Limited Partnership 12/31/2016 | Wesley Chapel Dev., LP 12/31/2016 | EBRPHA Dev. 1, LP 12/31/2016 | EBRPHA Dev. 2, LP 12/31/2016 | EBRPHA Dev. 4, LP 12/31/2016 | Total Partnerships 12/31/2016 |
|----------------------------------|--|---|--|------------------------------------|------------------------------------|------------------------------------|-------------------------------------|
| Assets | | | | | | | |
| Unrestricted cash | \$ 11,216 | \$ 86,047 | \$ 6,902 | \$ 121,851 | \$ 150,320 | \$ 99,259 | \$ 475,595 |
| Other current assets | 7,721 | 21,036 | 18,007 | 12,805 | 12,383 | 11,551 | 83,503 |
| Restricted cash | 1,316,080 | 3,590,773 | 549,406 | 507,705 | 507,166 | 201,005 | 6,672,135 |
| Capital assets | 3,640,977 | 10,595,601 | 8,721,514 | 8,075,134 | 8,048,613 | 5,670,492 | 44,752,331 |
| Other assets | 7,159 | 30,289 | 134,702 | 79,041 | 77,511 | 34,136 | 362,838 |
| Total assets | 4,983,153 | 14,323,746 | 9,430,531 | 8,796,536 | 8,795,993 | 6,016,443 | 52,346,402 |
| Liabilities | | | | | | | |
| Current liabilities and tenants' | | | | | | | |
| security deposits | 1,260,965 | 3,277,855 | 72,799 | 255,088 | 243,409 | 35,614 | 5,145,730 |
| Non-current liabilities | 1,189,737 | 2,428,486 | 3,412,237 | 3,999,441 | 3,888,347 | 1,053,241 | 15,971,489 |
| Total liabilities | 2,450,702 | 5,706,341 | 3,485,036 | 4,254,529 | 4,131,756 | 1,088,855 | 21,117,219 |
| Partners' Equity | | | | | | | |
| Partners' equity | 2,532,451 | 8,617,405 | 5,945,495 | 4,542,007 | 4,664,237 | 4,927,588 | 31,229,183 |
| Total partners' equity | \$ 2,532,451 | \$ 8,617,405 | \$ 5,945,495 | \$ 4,542,007 | \$ 4,664,237 | \$ 4,927,588 | \$ 31,229,183 |

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE H – JOINT VENTURES - CONTINUED

Statements of Operations for the year ended December 31, 2016

| | Brookstown Place Partnership 12/31/2016 | Cedar Pointe Subdivision Limited Partnership 12/31/2016 | Wesley Chapel Dev., LP 12/31/2016 | EBRPHA Dev. 1, LP 12/31/2016 | EBRPHA Dev. 2, LP 12/31/2016 | EBRPHA Dev. 4, LP 12/31/2016 | Total Partnerships 12/31/2016 |
|--|--|---|--|------------------------------------|------------------------------------|------------------------------------|-------------------------------------|
| Revenues and contributions | | | | | | | |
| Rental revenue | \$ 224,303 | \$ 509,771 | \$ 591,649 | \$ 112,894 | \$ 92,079 | \$ 50,545 | \$ 1,581,241 |
| Other operating revenue | - | - | - | 257,143 | 290,006 | 213,722 | 760,871 |
| Partner Contributions | - | - | - | - | - | 3,441,708 | 3,441,708 |
| Investment income | 22 | 357 | 1,391 | 1,068 | 1,069 | 238 | 4,145 |
| Total revenues and contributions | <u>224,325</u> | <u>510,128</u> | <u>593,040</u> | <u>371,105</u> | <u>383,154</u> | <u>3,706,213</u> | <u>5,787,965</u> |
| Expenses | | | | | | | |
| Administrative and general expenses | 103,557 | 229,908 | 226,952 | 144,886 | 144,278 | 111,104 | 960,685 |
| Maintenance and utilities | 61,669 | 160,494 | 173,877 | 83,872 | 100,150 | 88,253 | 668,315 |
| Interest expense | 69,494 | 188,778 | 149,361 | 117,615 | 112,583 | 13,705 | 651,536 |
| Depreciation and amortization | 137,581 | 406,961 | 319,020 | 334,198 | 328,838 | 185,401 | 1,711,999 |
| Total expenses | <u>372,301</u> | <u>986,141</u> | <u>869,210</u> | <u>680,571</u> | <u>685,849</u> | <u>398,463</u> | <u>3,992,535</u> |
| Increase (decrease) in partners' equity | \$ (147,976) | \$ (476,013) | \$ (276,170) | \$ (309,466) | \$ (302,695) | \$ 3,307,750 | \$ 1,795,430 |

Partners for Progress Development Company, LLC is the general partner of **Brookstown Place Partnership**. Partners for Progress Development Company, LLC's economic interest in the partnership is .01%, and was negative (\$128) as of December 31, 2016.

Cedar Pointe Development, LLC is the general partner of **Cedar Pointe Subdivision Limited Partnership**. Cedar Pointe Development, LLC's economic interest in the partnership is .01%, and was negative (\$317) as of December 31, 2016.

Wesley Chapel Development, LLC is the general partner of **Wesley Chapel Development, LP**. Wesley Chapel Development, LLC's economic interest in the partnership is .01%, and was negative (\$734) as of December 31, 2016.

Hospital Plaza I, LLC is the general partner of **EBRPHA Development 1, LP**. Hospital Plaza I, LLC's economic interest in the partnership is .01%, and was negative (\$157) as of December 31, 2016.

Colonial Courts I, LLC is the general partner of **EBRPHA Development 2, LP**. Colonial Courts I, LLC's economic interest in the partnership is .01%, and was negative (\$151) as of December 31, 2016.

Roosevelt Terrace, LLC is the general partner of **EBRPHA Development 4, LP**. Roosevelt Terrace, LLC's economic interest in the partnership is .01%, and was negative (\$14) as of December 31, 2016.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE I – NOTES PAYABLE

The Corporation entered into a loan agreement, effective July 1, 2010, with the City of Baton Rouge in the amount of \$1,475,000 to fund infrastructure costs of a housing development known as Copper Oaks Subdivision, on land the Corporation purchased in Baton Rouge. The development will consist of forty, single family homes. Infrastructure development began during fiscal year 2012 and was significantly complete as of fiscal year-end 2014. The loan agreement stipulates that a minimum of eleven of the homes must be sold to low-moderate income families who satisfy the HOME Investment Partnership Act federal criteria. As of September 30, 2017, a cumulative total of thirty-three of the parcels were sold to Copper Oaks Partners, LLC (COP, LLC) for construction and sale to future home owners, twenty-one of which have been sold to final home owners (leaving COP, LLC with a balance of twelve unsold properties and the Corporation with a balance of seven properties which have not been sold to COP, LLC as of September 30, 2017). Interest payments on the principal balance are not required as long as the Corporation administers the home-ownership program in accordance with the loan agreement. The loan is secured by the Copper Oaks property. As of fiscal year-end, the outstanding balance of the loan was \$677,959.

In November of 2011, the Corporation issued a promissory note to Greenwell Land Acquisitions, LLC (GLA, LLC) in the amount of \$370,000 to purchase land from GLA, LLC, on which the Subdivision will be developed. GLA, LLC has agreed to forgive the 6% annual interest rate upon extinguishment of the loan. Therefore, Corporation management has not accrued an interest payable balance. The note matured on December 31, 2014 but has not been paid or refinanced as of the date of these financial statements. The outstanding principal balance on the note as of September 30, 2017 was \$182,125.

During fiscal year 2013, the Corporation (through Wesley Chapel Development, LLC a wholly-owned subsidiary entity) received funding under a loan agreement entered into in September of 2012, from the East Baton Rouge Redevelopment Authority. The loan proceeds were used to fund a loan from the Corporation to Wesley Chapel Development, LP, to partially finance the development of a multi-family residential rental project. The loan is non-interest bearing and matures in October of 2047. The note is secured by a subordinate mortgage interest in the applicable project. The outstanding principal balance on the loan as of fiscal year-end 2017 was \$500,000.

During fiscal year 2014, the Corporation issued an Affordable Housing Program promissory note to Capital One National Association in the amount of \$480,200 to fund a loan the Corporation subsequently made to EBRPHA Development 4, LP, to partially finance the rehabilitation of the Roosevelt Terrace Apartment complex. The note is mortgaged with an assigned security interest in the Roosevelt Terrace Apartments property, matures in September of 2029 and will not bear interest as long as the Affordable Housing Program loan criteria are satisfied. The outstanding principal balance on the loan as of fiscal year-end 2017 was \$480,200.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE I – NOTES PAYABLE – CONTINUED

Long-term liability activity for the year ended September 30, 2017, applicable to the Corporation, was as follows:

| | <u>October 1, 2016 Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>September 30, 2017 Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------------|-----------------|-----------------|---------------------------------------|--------------------------------|
| Land Acquisition | | | | | |
| Note Payable | \$ 214,625 | \$ - | \$ 32,500 | \$ 182,125 | \$ 182,125 |
| HOME Investment Loan | 1,046,709 | - | 368,750 | 677,959 | 677,959 |
| Note Payable due to the East Baton Rouge RDA | 500,000 | - | - | 500,000 | - |
| AHP Loan due to Capital One, National Association | 480,200 | - | - | 480,200 | - |
| Less: Current portion | <u>(657,125)</u> | | | <u>(860,084)</u> | |
| Long Term Liabilities | <u>\$ 1,584,409</u> | | | <u>\$ 980,200</u> | <u>\$ 860,084</u> |

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE J – CAPITAL ASSETS

A summary of the Corporation's Capital Asset balances and activity, for the year ended September 30, 2017 is as follows:

| | October 1, 2016 <u>Balance</u> | <u>Additions</u> | Transfers & <u>Deletions</u> | September 30, 2017 <u>Balance</u> |
|--|-----------------------------------|-------------------|---------------------------------|--------------------------------------|
| Land | \$ 113,625 | \$ - | \$ (113,625) | \$ - |
| Construction in Process | <u>387,599</u> | <u>-</u> | <u>(387,599)</u> | <u>-</u> |
| Total Assets not being Depreciated | 501,224 | - | (501,224) | - |
| Furniture and Equipment | <u>15,418</u> | <u>-</u> | <u>-</u> | <u>15,418</u> |
| Total Capital Assets | 516,642 | - | (501,224) | 15,418 |
| Less Accumulated Depreciation Furniture and Equipment | <u>(7,709)</u> | <u>(1,542)</u> | <u>-</u> | <u>(9,251)</u> |
| Net Book Value | <u>\$ 508,933</u> | <u>\$ (1,542)</u> | <u>\$ (501,224)</u> | <u>\$ 6,167</u> |

During the fiscal year, the Corporation sold one parcel out of capital assets and transferred eight parcels to Assets Held for Sale (a current asset account) for anticipated sale to COP, LLC during fiscal year 2018. The total cost of the parcel sold and the parcels transferred was \$501,224.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE K – COMMITMENTS AND CONTINGENCIES

The Corporation is the sole member of Wesley Chapel Development, LLC. Wesley Chapel Development, LLC is the general partner of Wesley Chapel Development, LP. In September 2011, Wesley Chapel Development, LP obtained a loan from the Louisiana Housing Finance Agency (LHFA) for \$1,000,000. The note is secured with a mortgage on the leasehold interest in the property and improvements, and an assignment of rents. The loan matures in March of 2041. As of December 31, 2016, the principal balance owed on the loan was \$1,000,000. Corporation management is anticipating the Partnership to report a balance of \$1,000,000 as of December 31, 2017, upon issuance of the Partnership's 2017 financial statements. The Corporation has guaranteed payment of the notes to Home Federal Bank and LHFA. In the event that the partnership defaults, the loans could become a liability of the Corporation.

The Corporation is the sole member of Colonial Courts I, LLC. Colonial Courts I, LLC is the general partner of EBRPHA Development 2, LP. In January 2012, EBRPHA Development 1, LP obtained a loan from The East Baton Rouge Redevelopment Authority (The EBRRRA) for an amount up to \$500,000. The note is secured with a mortgage on the leasehold interest in the property and improvements, and an assignment of rents. As of December 31, 2017, the principal balance owed on the loan was \$500,000. The Corporation has guaranteed payment of the loan to The EBRRRA. In the event that the partnership defaults, the loans could become a liability of the Corporation.

The Corporation is the sole member of Hospital Plaza I, LLC. Hospital Plaza I, LLC is the general partner of EBRPHA Development 1, LP. In January 2012, EBRPHA Development 1, LP obtained a loan from The East Baton Rouge Redevelopment Authority (The EBRRRA) for an amount up to \$500,000. The note is secured with a mortgage on the leasehold interest in the property and improvements, and an assignment of rents. As of December 31, 2017, the principal balance owed on the loan was \$500,000. The Corporation has guaranteed payment of the loan to The EBRRRA. In the event that the partnership defaults, the loans could become a liability of the Corporation.

NOTE L - INCOME TAXES

The Corporation is exempt from income taxes as a public agency, under Section 501(c)4 of the Internal Revenue Code. As such, only unrelated business income is subject to income tax. Currently, the 2014, 2015 and 2016 tax years are open and subject to examination by the Internal Revenue Service. However, the Corporation is not currently under audit nor has the Corporation been contacted by any of these jurisdictions. Based on an evaluation of the Corporation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the fiscal year-ended September 30, 2017.

NOTE M – DEFERRED COMPENSATION PLAN

The Corporation provides deferred compensation benefits for all of its full-time employees through the Authority's defined contribution plan, the State of Louisiana Public Employees Deferred Compensation Plan. The plan is administered by *Great West Retirement Services*. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after twelve months of continuous service. The Corporation contributes approximately 10.5% of the employee's eligible compensation, while the employees are not required to contribute to the plan. During fiscal year 2017, the Corporation made the required contributions in the amount of \$8,308. The Corporation's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately, upon participation in the plan.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE N – ADMINISTRATIVE, UTILITY AND MAINTENANCE EXPENSES

General and Administrative, Utility and Maintenance Expenses

General and Administrative

| | | |
|---|-----------|----------------|
| Salaries and Benefits | \$ | 153,880 |
| Legal | | 4,054 |
| Travel | | 6,187 |
| Insurance | | 8,778 |
| Othe Office Expenses and Administrative Contracts | | - |
| Advertising | | 1,500 |
| Fees Passed Through to EBRPHA | | 7,729 |
| Tenant Recreation and Supportive Services | | 30,000 |
| Vendors Paid on Behalf of Partnerships | | 100,000 |
| Othe Office Expenses and Administrative Contracts | | 27,616 |
| Total Administrative Expenses | \$ | 339,744 |

Utilities

| | | |
|------------------------|-----------|--------------|
| Water | | 125 |
| Electricity | | 1,317 |
| Gas | | 131 |
| Other Utilities | | 482 |
| Total Utilities | \$ | 2,055 |

Maintenance and Operations

| | | |
|---|-----------|---------------|
| Other External Contract Costs | | 11,023 |
| Total Maintenance and Operations | \$ | 11,023 |

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE O – SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through February 26, 2018, the date the financial statements were available to be issued.

PARTNERS FOR PROGRESS, INCORPORATED
BATON ROUGE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2017

EXPENDITURES

Federal Emergency Management Agency (Passed through
the Governor's Office of Homeland Security and
Emergency Preparedness)

| | |
|-----------------------------------|-------------------------|
| Total CFDA Number 97.036 | <u>\$ 90,000</u> |
| Total FEMA Expenditures | <u>90,000</u> |
| TOTAL FEDERAL EXPENDITURES | <u>\$ 90,000</u> |

NOTE 1 – BASIS OF PRESENTATION

The above Schedule of Expenditures of Federal Awards includes the federal award activity of the Corporation under programs of the federal government for the year ended September 30, 2017. The information on this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of operations of the Corporation, it is not intended to and does not present the financial net position, changes in net position, or cash flows of the Corporation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST RATE

The Corporation has elected not to use the 10% *De Minimus Indirect Cost Rate* allowed under the Uniform Guidance.

PARTNERS FOR PROGRESS, INCORPORATED
BATON ROUGE, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO THE CHIEF EXECUTIVE
OFFICER

YEAR ENDED SEPTEMBER 30, 2017

EXPENDITURE PURPOSE

| | |
|---|-------------------|
| Salary | <u>\$0</u> |
| Benefits - Insurance | <u>0</u> |
| Benefits - Retirement | <u>0</u> |
| Car Allowance | <u>0</u> |
| Per Diem | <u>0</u> |
| Registration Fees | <u>0</u> |
| Conference Travel | <u>0</u> |
| Total Compensation, Benefits and Other Payments | <u><u>\$0</u></u> |

Agency Head: Richard Murray, Chief Executive Officer

Basis of Presentation:

The above Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the *Louisiana Revised Statute (R.S.) 24:513A.(3)*, as amended by *Act 706 of the 2014 Legislative Session*.

PARTNERS FOR PROGRESS, INC.

BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

SEPTEMBER 30, 2017

Section I: Summary of Auditors' Results:

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal Control over financial reporting:

Are material weaknesses identified? Yes No

Are significant deficiencies that are not considered to be material weaknesses identified? Yes Reported None

Is noncompliance that could have a material effect on the financial statements identified? Yes No

FEDERAL AWARDS

Internal control over major programs:

Are material weaknesses identified? N/A

Are significant deficiencies that are not considered to be material weaknesses identified? N/A

Type of report issued on compliance with requirements applicable to each major program: N/A

Are there any audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance? N/A

Identification of Major Programs

None

Dollar threshold used to distinguish between type A and type B programs: N/A

Is the auditee identified as a low-risk auditee? N/A

PARTNERS FOR PROGRESS, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS
CONTINUED

SEPTEMBER 30, 2017

Section II: Financial Statement Findings & Questioned Costs:

Prior Year Findings:

None

Current Year Findings:

None