

PARTNERS FOR PROGRESS, INCORPORATED

**(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF
EAST BATON ROUGE PARISH)**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2019

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6
OTHER SUPPLEMENTARY INFORMATION	
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO THE CHIEF EXECUTIVE OFFICER	16
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	17
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	19
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	21



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 (the Corporation) (a non-profit corporation), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

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 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2019, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

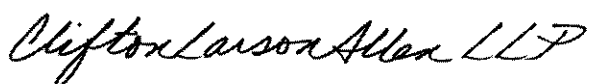
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to the Chief Executive Officer is presented for the Louisiana Legislative Auditor's information and is a required part of the financial statements by the Louisiana Legislative Auditor's office. The schedule of federal expenditures of federal awards and the schedule of findings and question costs is also presented for purposes of additional analysis and is not a required part of the basic 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 financial statements. The 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 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 March 18, 2020, on our consideration of the Corporation'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 to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Lakeland, Florida
March 18, 2020

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	52,863
Accounts Receivable, Copper Oaks, LLC		131,334
Accounts Receivable - Other, Net Allowance for Doubtful Accounts of \$95,542		196,970
Prepaid Costs		2,166
Assets Held for Sale		9,250
Notes Receivable - Current Portion		135,067
Total Current Assets		527,650

CAPITAL ASSETS

Furniture and Equipment		15,418
Less: Accumulated Depreciation		(15,418)
Net Capital Assets		-

OTHER ASSETS

Notes Receivable		980,200
Total Other Assets		980,200

Total Assets	\$	1,507,850
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$	289
Due to Primary Government		57,023
Accrued Wages and Payroll Taxes		1,181
Long-Term Capital Debt, Current Portion		131,334
Total Current Liabilities		189,827

LONG-TERM LIABILITIES

Long-Term Capital Debt, Net of Current		1,000,200
Total Long-Term Liabilities		1,000,200

Total Liabilities		1,190,027
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NET POSITION

Unrestricted		317,823
Total Net Position		317,823

Total Liabilities and Net Position	\$	1,507,850
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See accompanying Notes to Financial Statements.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2019

OPERATING REVENUES	
Other Revenue	\$ 555,862
Total Operating Revenues	555,862
 OPERATING EXPENSES	
Administrative	125,166
Tenant Services	30,000
Utilities	1,310
Maintenance and Operations	3,733
Other General Expenses	15,281
Insurance	4,370
Depreciation	4,625
Bad Debt	463,350
Total Operating Expenses	647,835
 OPERATING LOSS	 (91,973)
 NONOPERATING REVENUE (EXPENSE)	
Cost of Sale of Assets	(38,250)
Total Nonoperating Expenses	(38,250)
 DECREASE IN NET ASSETS	 (130,223)
Net Assets - Beginning of Year	448,046
 NET ASSETS - END OF YEAR	 \$ 317,823

See accompanying Notes to Financial Statements.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Other Income Receipts	\$ 506,115
Cash Payments for Salaries and Benefits	(20,729)
Cash Payments to Vendors	(321,625)
Net Cash Provided by Operating Activities	163,761

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Repayment of Capital Debt Principal	(165,938)
Net Cash Used by Capital and Related Financing Activities	(165,938)

CASH FLOWS FROM INVESTING ACTIVITIES

Loss from Assets Held for Sale	(1,250)
Net Cash Used by Investing Activities	(1,250)

NET DECREASE IN CASH AND CASH EQUIVALENTS (3,427)

Cash and Cash Equivalents - Beginning of Year 56,290

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 52,863

RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Loss from Operations	\$ (91,973)
Adjustments to Reconcile Net Operating Loss to Net Cash and Cash Equivalents:	
Depreciation Expense	4,625
Bad Debt	297,413
(Increase) Decrease in Assets:	
Accounts Receivable - Miscellaneous	116,190
Prepaid Costs	(474)
Increase (Decrease) in Liabilities:	
Accounts Payable	(271)
Accrued Wages and Payroll Taxes Payable	(4,940)
Accrued Compensated Absences	(3,344)
Due to Primary Government	(153,465)
Net Cash Provided by Operating Activities	\$ 163,761

SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS

Forgiveness of Debt related to HOME Loan (Forgiveness of Debt and Bad Debt)	\$ (165,938)
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See accompanying Notes to Financial Statements.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTE TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 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 Corporation's fiscal year end is September 30.

As a component unit of EBRPHA, the Corporation has chosen to present the financial statements in accordance with the Governmental Accounting Standards Board (GASB) in fiscal year 2019.

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

Partners for Progress Development Company, LLC

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

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

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

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.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTE TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 REPORTING ENTITY DEFINITION (CONTINUED)

Colonial Courts 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 known as Autumn Place Townhomes. Partners for Progress, Incorporated is the sole member of Colonial Courts I, LLC.

Roosevelt Terrace, 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 known as Roosevelt Terrace Apartments. Partners for Progress, Incorporated is the sole member of Roosevelt Terrace, LLC.

River South, LLC

River South, 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 known as River South Apartments. Partners for Progress, Incorporated is the sole member of River South, LLC.

Related Partnerships

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

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 (\$153) as of December 31, 2018.

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 (\$366) as of December 31, 2018.

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 (\$795) as of December 31, 2018.

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 (\$229) as of December 31, 2018.

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 (\$228) as of December 31, 2018.

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 (\$75) as of December 31, 2018.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTE TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 REPORTING ENTITY DEFINITION (CONTINUED)

River South, LLC is the general partner of River South Development, LP. River South, LLC's economic interest in the partnership is .01%, and was negative (\$30) as of December 31, 2018.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation uses the accrual basis of accounting in accordance with GAAP. Under this method income is recognized as it is earned and expenses are recognized as they are incurred whether or not cash is received or paid out at that time.

Use of Estimates

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to the 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.

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 are carried at the amount considered by management to be collectible. An allowance for doubtful accounts is used for amounts that are not considered collectible.

Prepaid Items

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

Assets Held for Sale

Assets Held for Sale consists of land and infrastructure expected to be sold within one year and is valued at the lesser of cost or fair 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.

Accrued Expenses

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

PARTNERS FOR PROGRESS, INCORPORATED
 (A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTE TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue

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 nonoperating income.

NOTE 3 CASH 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 \$52,863. As of September 30, 2019, the Corporation’s bank balances were fully secured by the Federal Deposit Insurance Corporation (FDIC).

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following amounts:

Accounts Receivable - Sale of Homes	\$ 14,209
Accounts Receivable - Costs	95,542
Accounts Receivable - Sale of Land	117,125
Less: Allowance for Doubtful Accounts	(95,542)
Total Accounts Receivable, Copper Oak, LLC	\$ 131,334

Accounts Receivable - River Lofts	\$ 107,700
Accounts Receivable - FEMA	81,050
Accounts Receivable - Other	8,220
Total Accounts Receivable - Other	\$ 196,970

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTE TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 NOTES RECEIVABLE AND DEVELOPER FEES

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, 2019, the Corporation's estimated share of the outstanding balances of the developer fee receivables due from the applicable partnerships amounted to \$887,460. 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, 2019.

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 nonrecourse 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, 2019.

In fiscal year 2016, the Corporation loaned out Copper Oaks, LLC, \$279,855 as an advance to pay for construction costs overruns. The balance due to the Corporation at September 30, 2019 is \$135,067.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTE TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 CAPITAL ASSETS

A summary of the Corporation's capital asset balances and activity, as of and for the year ended September 30, 2019 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable Capital Assets				
Furniture and Equipment	\$ 15,418	\$ -	\$ -	\$ 15,418
Total Capital Assets	15,418	-	-	15,418
Less: Accumulated Depreciation				
Furniture and Equipment	(10,793)	(4,625)	-	(15,418)
Total Capital Assets				
Being Depreciated, Net	4,625	(4,625)	-	-
Capital Assets, Net	\$ 4,625	\$ (4,625)	\$ -	\$ -

NOTE 7 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 40, 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 11 of the homes must be sold to low-moderate income families who satisfy the HOME Investment Partnership Act federal criteria. As of September 30, 2019, a cumulative total of 39 of the parcels were sold to Copper Oaks Partners, LLC (COP, LLC) for construction and sale to future home owners, 39 of which have been sold to final home owners (leaving COP, LLC with a balance of 1 unsold property and the Corporation with a balance of 1 property which has not been sold to COP, LLC as of September 30, 2019). 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 \$14,209.

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, 2019 was \$117,125.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTE TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 NOTES PAYABLE (CONTINUED)

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 noninterest 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 2019 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 2019 was \$500,200.

Long-term liability activity for the year ended September 30, 2019, applicable to the Corporation, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Land Acquisition Note Payable	\$ 137,125	\$ -	\$ (20,000)	\$ 117,125	\$ 117,125
HOME Investment Loan	346,084	-	(331,875)	14,209	14,209
Note Payable due to the East Baton Rouge RDA	500,000	-	-	500,000	-
AHP Loan due to Capital One, National Association	480,200	20,000	-	500,200	-
Long-Term Liabilities	<u>\$ 1,463,409</u>	<u>\$ 20,000</u>	<u>\$ (351,875)</u>	<u>\$ 1,131,534</u>	<u>\$ 131,334</u>

NOTE 8 DEFERRED COMPENSATION PLAN

The Corporation provides deferred compensation benefits for all of its full-time employees through the State of Louisiana Public Employees Deferred Compensation Plan, a defined contribution 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 2019, the Corporation made the required contributions in the amount of \$2,212 and the employees contributed \$0. The Corporation's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately, upon participation in the plan.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTE TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 9 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.

NOTE 10 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.

NOTE 11 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, 2018, 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, 2019, upon issuance of the Partnership's 2019 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 2, LP obtained a loan from The East Baton Rouge Redevelopment Authority (The EBRRA) 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, 2018, the principal balance owed on the loan was \$495,000. The Corporation has guaranteed payment of the loan to The EBRRA. 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 EBRRA) 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, 2018, the principal balance owed on the loan was \$495,000. The Corporation has guaranteed payment of the loan to The EBRRA. In the event that the partnership defaults, the loans could become a liability of the Corporation.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTE TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 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 2015, 2016 and 2017 tax years are open and subject to examination by the IRS. 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, 2019.

NOTE 13 RELATED PARTNERSHIPS

Balance Sheets as of December 31, 2018:

	Brookstown Place Partnership, ALPIC	Cedar Pointe Subdivision, L.P.	Wesley Chapel Development, LP	EBRPHA Development 1, L.P.	EBRPHA Development 2, L.P.	EBRPHA Development 4, L.P.	River South Development, L.P.	Total
Assets								
Current Assets	\$ 128,314	\$ 805,182	\$ 670,137	\$ 642,111	\$ 589,548	\$ 376,341	\$ 79,034	\$ 3,290,667
Other Assets	-	135	2,167	1,722	2,899	760	-	7,683
Capital Assets	3,381,217	9,791,176	8,105,628	7,415,933	7,400,145	5,304,091	9,737,971	51,136,161
Total Assets	<u>\$ 3,509,531</u>	<u>\$ 10,596,493</u>	<u>\$ 8,777,932</u>	<u>\$ 8,059,766</u>	<u>\$ 7,992,592</u>	<u>\$ 5,681,192</u>	<u>\$ 9,817,005</u>	<u>\$ 54,434,511</u>
Liabilities								
Current Liabilities	\$ 39,911	\$ 98,492	\$ 105,419	\$ 104,834	\$ 87,354	\$ 22,743	\$ 4,149,424	\$ 4,608,177
Noncurrent Liabilities	1,230,571	2,440,350	3,492,506	4,208,397	4,089,996	1,090,967	1,753,608	18,296,395
Total Liabilities	1,270,482	2,538,842	3,597,925	4,313,231	4,177,350	1,103,710	5,903,032	22,904,572
Partner's Equity								
Total Partner's Equity	2,239,049	8,057,651	5,180,007	3,746,535	3,815,242	4,577,482	3,913,973	31,529,939
Total Liabilities and Partner's Equity	<u>\$ 3,509,531</u>	<u>\$ 10,596,493</u>	<u>\$ 8,777,932</u>	<u>\$ 8,059,766</u>	<u>\$ 7,992,592</u>	<u>\$ 5,681,192</u>	<u>\$ 9,817,005</u>	<u>\$ 54,434,511</u>

Statement of Operations for the year ended December 31, 2018:

	Brookstown Place Partnership, ALPIC	Cedar Pointe Subdivision, L.P.	Wesley Chapel Development, LP	EBRPHA Development 1, L.P.	EBRPHA Development 2, L.P.	EBRPHA Development 4, L.P.	River South Development, L.P.	Total
Operating Revenue								
Tenant Revenue	\$ 275,542	\$ 802,256	\$ 601,319	\$ 115,075	\$ 109,268	\$ 50,274	\$ 61,418	\$ 2,015,162
Operating Grant Revenue	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	283,253	271,051	207,608	4,618,647	5,380,559
Interest Income	30	4,977	1,609	1,084	1,071	530	-	9,301
Total Operating Revenue	<u>275,572</u>	<u>807,233</u>	<u>602,928</u>	<u>399,412</u>	<u>381,390</u>	<u>258,412</u>	<u>4,680,065</u>	<u>7,405,012</u>
Operating Expenses								
Administrative	40,895	107,810	142,997	68,286	71,168	75,077	50,716	556,949
Utilities	3,554	5,101	46,365	11,090	13,276	8,929	16,028	104,343
Maintenance	80,682	235,867	158,143	178,575	195,411	91,449	70,365	1,010,492
Insurance Premiums	33,216	82,230	50,748	25,421	25,442	25,867	614	241,538
Protective Services	-	-	1,203	-	-	-	-	1,203
Other General Expense	43,235	138,599	61,004	30,009	28,897	20,792	301,311	623,847
Interest Expense	66,136	178,243	143,404	118,377	113,160	14,046	172,143	805,509
Depreciation Expense	123,389	401,876	307,943	329,601	324,234	183,201	154,915	1,825,159
Total Operating Expenses	<u>391,107</u>	<u>1,149,726</u>	<u>911,807</u>	<u>761,359</u>	<u>771,588</u>	<u>417,361</u>	<u>766,092</u>	<u>5,169,040</u>
Operating Income (Loss)	<u>\$ (115,535)</u>	<u>\$ (342,493)</u>	<u>\$ (308,879)</u>	<u>\$ (361,947)</u>	<u>\$ (390,198)</u>	<u>\$ (158,949)</u>	<u>\$ 3,913,973</u>	<u>\$ 2,236,972</u>

PARTNERS FOR PROGRESS, INCORPORATED
 (A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTE TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 14 RELATED PARTY TRANSACTIONS

The Corporation owes the Authority \$57,023 for operating expenses as of September 30, 2019.

NOTE 15 ADMINISTRATIVE AND UTILITY EXPENSES

The Corporation had the following administrative and utility expenses.

Administrative Expenses

Administrative Salaries	\$ 8,648
Management Fee	69,578
Employee Benefit Contributions	3,797
Other	11,317
Office Expenses	26,185
Travel	652
Advertising and Marketing	1,738
Legal Expense	3,251
Total Administrative Expenses	<u>\$ 125,166</u>

Utilities

Electricity	\$ 1,006
Sewer	116
Gas	154
Water	34
Total Utilities	<u>\$ 1,310</u>

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO THE CHIEF
EXECUTIVE OFFICER
YEAR ENDED SEPTEMBER 30, 2019

EXPENDITURE PURPOSE

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

Agency Head: Jim Daniels, Acting Chief Executive Officer
Period: October 1, 2018 through September 30, 2019

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 (A)*, as amended by *Act 706 of the 2014 Legislative Session*.



**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 business-type activities of Partners for Progress, Incorporated (the Corporation), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 18, 2020.

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 opinions 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 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 the Corporation's 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 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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Lakeland, Florida
March 18, 2020

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019

	Federal CFDA Number	Federal Expenditures
Indirect Federal Assistance:		
<u>United States Department of Housing and Urban Development:</u>		
Passed through City of Baton Rouge Parish of East Baton Rouge, Louisiana HOME Investment Partnership Program	14.239	<u>\$ 346,084</u>
Total Indirect Federal Assistance		<u>346,084</u>
Total Federal Assistance		<u><u>\$ 346,084</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019

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, 2019. 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.

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

NOTE 3 OUTSTANDING LOANS

The Corporation had the following loan balances outstanding at September 30, 2019.

Federal Grantor Program	Federal CFDA Number	Amount Outstanding
HOME Investment Partnership Program	14.239	\$ 14,209

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
SCHEDULE OF FINDINGS AND QUESTION COSTS
YEAR ENDED SEPTEMBER 30, 2019

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness identified? _____ Yes X No
 - Significant deficiency identified? _____ Yes X None Reported
3. Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

1. Internal control over major federal programs:
 - Material weakness identified? N/A
 - Significant deficiency identified? N/A
2. Type of auditors’ report issued on
 - compliance for major federal programs: N/A
3. Any audit findings disclosed that are required to be reported in accordance with
 - 2 CFR 200.516(a)? N/A