

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES

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

Year Ended December 31, 2018

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES

Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Providence Community Housing and Subsidiaries (a nonprofit Corporation), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to

PACIERA, GAUTREAU & PRIEST, LLC
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**Board of Directors
Providence Community Housing
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the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Providence Community Housing and Subsidiaries as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note Q to the financial statements, in 2018, Providence Community Housing and Subsidiaries, adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Providence Community Housing 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Supplementary Information

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

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

of expenditures of federal awards, 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 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2019 on our consideration of Providence Community Housing and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Providence Community Housing and Subsidiaries' internal control over financial reporting and compliance.



Metairie, Louisiana
June 12, 2019

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(With Summarized Financial Information
at December 31, 2017)

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,969,604	\$ 3,282,576
Accounts receivable, Net	885	744
Due from government agency	60,917	42,765
Due from government agency - Developer fee	0	294,957
Grants receivable	1,224	101,017
Prepaid expenses	<u>46,570</u>	<u>45,170</u>
<i>Total Current Assets</i>	<u>4,079,200</u>	<u>3,767,229</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	3,308,853	3,308,853
Buildings	5,241,401	5,202,001
Office furniture and equipment	<u>203,206</u>	<u>203,206</u>
	8,753,460	8,714,060
Less: Accumulated depreciation	<u>719,924</u>	<u>586,167</u>
<i>Total Property and Equipment</i>	<u>8,033,536</u>	<u>8,127,893</u>
<u>OTHER ASSETS</u>		
Cash restricted	847,631	66,137
Properties held for sale	332,275	788,020
Due from affiliates, Net	8,531	31,293
Deposits	9,444	9,444
Developer fee receivable - Affiliates	1,984,917	1,409,640
Notes receivable - Other, Net	10,000	0
Notes receivable - Affiliates, Net	6,034,020	5,945,733
Custodial funds	0	2,214
Construction in progress	0	428,227
Capital lease property, Net	272,835	272,835
Investments in partnerships and other investments	1,783,388	1,324,129
Pre-development costs	<u>425,168</u>	<u>254,455</u>
<i>Total Other Assets</i>	<u>11,708,209</u>	<u>10,532,127</u>
<i>Total Assets</i>	<u>\$23,820,945</u>	<u>\$22,427,249</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)
DECEMBER 31, 2018
(With Summarized Financial Information
at December 31, 2017)

	<u>2018</u>	<u>2017</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and other accrued expenses	\$ 150,212	\$ 98,535
Accrued wages and vacation	22,870	25,385
Long-term debt due within one year	<u>49,865</u>	<u>720,723</u>
<i>Total Current Liabilities</i>	<u>222,947</u>	<u>844,643</u>
<u>OTHER LIABILITIES</u>		
Accounts payable - Other	98,993	98,993
Due to related parties	172,644	172,659
Funds held for others	0	2,214
Other liabilities	8,110	9,410
Deferred rents/revenue	777,936	786,788
Lease payable	272,835	272,835
Long-term debt, Less current portion	<u>5,993,166</u>	<u>6,130,364</u>
<i>Total Other Liabilities</i>	<u>7,323,684</u>	<u>7,473,263</u>
<i>Total Liabilities</i>	<u>7,546,631</u>	<u>8,317,906</u>
<u>NET ASSETS</u>		
Without donor restrictions:		
Controlling interest	12,925,802	12,058,357
Noncontrolling interest	<u>977,704</u>	<u>918,262</u>
<i>Total Without Donor Restrictions</i>	13,903,506	12,976,619
With donor restrictions	<u>2,370,808</u>	<u>1,132,724</u>
<i>Total Net Assets</i>	<u>16,274,314</u>	<u>14,109,343</u>
<i>Total Liabilities and Net Assets</i>	<u>\$23,820,945</u>	<u>\$22,427,249</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(With Summarized Financial Information at December 31, 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
<u>REVENUE, SUPPORT, GAINS AND LOSSES</u>				
Individual/business contributions	\$ 14,579	\$ 0	\$ 14,579	\$ 19,045
Grants	1,183,389	1,257,500	2,440,889	2,463,431
Interest	560,430	1,808	562,238	491,987
Development fees	1,757,040	0	1,757,040	294,957
Rents	286,011	0	286,011	268,373
Miscellaneous	26,569	0	26,569	69,415
Partnership income (loss)	(159,496)	0	(159,496)	(159,130)
Program service fees	90,797	0	90,797	75,964
Gain (loss) on sale of assets	467,055	0	467,055	(21,513)
Bad debt recoveries	218,938	0	218,938	151,131
Net assets released from restriction	<u>21,224</u>	<u>(21,224)</u>	<u>0</u>	<u>0</u>
<i>Total Revenue, Support, Gains and Losses</i>	<u>4,466,536</u>	<u>1,238,084</u>	<u>5,704,620</u>	<u>3,653,660</u>
<u>EXPENSES</u>				
Program Services:				
Real estate development	1,190,690	0	1,190,690	1,297,804
Home ownership promotion	293,745	0	293,745	297,552
Asset management	692,318	0	692,318	593,669
Community services	<u>328,653</u>	<u>0</u>	<u>328,653</u>	<u>336,859</u>
	<u>2,505,406</u>	<u>0</u>	<u>2,505,406</u>	<u>2,525,884</u>
Supporting Services:				
Management and general	361,860	0	361,860	410,851
Fund raising and communications	<u>138,874</u>	<u>0</u>	<u>138,874</u>	<u>118,409</u>
	<u>500,734</u>	<u>0</u>	<u>500,734</u>	<u>529,260</u>
<i>Total Expenses</i>	<u>3,006,140</u>	<u>0</u>	<u>3,006,140</u>	<u>3,055,144</u>
Change in Net Assets	1,460,396	1,238,084	2,698,480	598,516
Less: Change in net assets attributed to noncontrolling interest	<u>(592,951)</u>	<u>0</u>	<u>(592,951)</u>	<u>(158,560)</u>
Change in Net Assets, Controlling Interest	<u>867,445</u>	<u>1,238,084</u>	<u>2,105,529</u>	<u>439,956</u>
Net Assets, Controlling Interest - Beginning of Year	<u>12,058,357</u>	<u>1,132,724</u>	<u>13,191,081</u>	<u>12,751,125</u>
Net Assets, Controlling Interest - End of Year	<u>\$12,925,802</u>	<u>\$2,370,808</u>	<u>\$15,296,610</u>	<u>\$13,191,081</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(With Summarized Financial Information at December 31, 2017)

	Program Services					Supporting Services			2018 Total Program and Supporting Services Expenses	2017 Total Program and Supporting Services Expenses
	Real Estate Develop- ment	Home Ownership Promotion	Asset Manage- ment	Community Services	Total Program Services	Manage- ment and General	Fund Raising and Communi- cations	Total Support Services		
Accounting services	\$ 900	\$ 0	\$ 0	\$ 450	\$ 1,350	\$ 25,200	\$ 0	\$ 25,200	\$ 26,550	\$ 27,275
Bad debt expense	591,378	34,800	135,662	0	761,840	0	0	0	761,840	1,162,719
Carrying costs on properties held for sale	28,673	5,274	0	0	33,947	0	0	0	33,947	22,783
Community center activities	0	0	0	97,833	97,833	0	0	0	97,833	53,660
Conferences and meetings	15,108	252	2,409	133	17,902	2,287	1,156	3,443	21,345	18,245
Consulting	4,820	0	18,596	3,000	26,416	250	0	250	26,666	49,990
Contributions	0	0	0	0	0	825	0	825	825	8,577
Depreciation	2,817	0	129,641	0	132,458	1,299	0	1,299	133,757	119,986
Direct assistance	1,580	53,603	0	0	55,183	0	0	0	55,183	90,703
Dues and subscriptions	290	250	258	125	923	1,926	560	2,486	3,409	3,787
Employee benefits	16,104	18,244	5,490	15,201	55,039	20,886	8,310	29,196	84,235	87,465
Equipment rental	0	0	0	331	331	584	0	584	915	5,900
Insurance	1,952	0	37,102	4,264	43,318	17,962	0	17,962	61,280	49,374
Interest expense	32,468	0	149,637	0	182,105	0	0	0	182,105	189,017
IT Support	5,940	5,026	2,507	11,784	25,257	5,746	2,858	8,604	33,861	34,428
Legal	1,158	0	2,204	0	3,362	300	0	300	3,662	4,053
Management fees	0	0	18,090	17,600	35,690	0	0	0	35,690	17,100
Marketing	0	0	0	0	0	8,284	21,831	30,115	30,115	17,878
Meals and entertainment	845	391	249	1,710	3,195	7,643	579	8,222	11,417	8,898
Miscellaneous	320	0	0	1,646	1,966	334	0	334	2,300	11,131
Office and supplies	440	324	17,177	27,380	45,321	13,928	1,328	15,256	60,577	57,948
Payroll taxes	12,895	10,817	5,498	5,005	34,215	18,996	6,205	25,201	59,416	55,454
Postage and shipping	0	852	0	476	1,328	1,435	0	1,435	2,763	3,652
Pre-Development expenses	257,716	0	0	0	257,716	0	0	0	257,716	0
Printing and publications	481	0	0	47	528	2,583	273	2,856	3,384	2,435
Professional services	0	0	0	0	0	0	0	0	0	0
Rent	10,271	7,194	12,206	1,389	31,060	49,964	6,996	56,960	88,020	87,995
Repairs	17,462	0	72,096	10,443	100,001	0	0	0	100,001	81,802
Salaries	181,874	153,905	76,767	70,656	483,202	175,940	87,516	263,456	746,658	693,865
Telephone	1,365	1,470	658	17,208	20,701	3,245	388	3,633	24,334	24,715
Travel	3,833	1,343	1,226	759	7,161	2,243	874	3,117	10,278	12,017
Utilities	0	0	4,845	41,213	46,058	0	0	0	46,058	52,292
Total Expenses	\$1,190,690	\$293,745	\$692,318	\$328,653	\$2,505,406	\$361,860	\$138,874	\$500,734	\$3,006,140	\$3,055,144

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2018
(With Summarized Financial Information
at December 31, 2017)

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$2,698,480	\$ 598,516
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for bad debt	761,840	1,162,719
Bad debt (recoveries)	(218,938)	(151,131)
Depreciation	133,757	119,986
Forgiveness of debt	(198,857)	(198,858)
Partnership loss	159,496	159,130
(Gain) loss on sale of properties held for sale	(467,055)	21,513
Changes in operating assets and liabilities:		
Decrease in accounts receivable, grants receivable, and prepaid expenses	84,802	131,926
Decrease in due from government agency	276,805	214,020
(Increase) decrease in developer fee receivable - affiliates	(575,277)	52,971
Increase in accounts payable and accrued expenses	49,162	21,002
(Decrease) in deferred rents/revenue	<u>(8,852)</u>	<u>(8,866)</u>
Net Cash Provided by Operating Activities	<u>2,695,363</u>	<u>2,122,928</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
(Increase) decrease in cash restricted	(781,494)	39,849
Advances to affiliates	(17,911)	(25,215)
Payments from affiliates	22,762	50,165
Decrease in custodial funds	2,214	11,644
Proceeds from sale of property	2,367,000	136,000
Purchases of property held for sale	(911,500)	0
(Increase) in construction in progress	(243,216)	(753,449)
Advances on notes receivable	(1,296,640)	(1,379,000)
Payments on notes receivable	686,814	155,647
(Increase) in pre-development costs	(31,972)	(222,485)
Investment in partnerships and other investments	(618,755)	0
Purchase of leasehold improvements	(39,400)	(16,350)
Capital Contributions	<u>15,000</u>	<u>8,175</u>
Net Cash (Used for) Investing Activities	<u>(847,098)</u>	<u>(1,995,019)</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)
Year Ended December 31, 2018
(With Summarized Financial Information
at December 31, 2017)

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
(Decrease) in funds held for others	\$ (2,214)	\$ (11,644)
Proceeds on long-term debt	111,529	111,530
Payments on long-term debt	(720,728)	(195,456)
Increase (decrease) in other liabilities	(1,300)	1,400
Distributions	<u>(548,524)</u>	<u>(296,281)</u>
Net Cash (Used for) Financing Activities	<u>(1,161,237)</u>	<u>(390,451)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	687,028	(262,542)
Cash and Cash Equivalents -		
Beginning of Year	<u>3,282,576</u>	<u>3,545,118</u>
End of Year	<u>\$3,969,604</u>	<u>\$3,282,576</u>

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for -		
Interest - Net of capitalized amounts	\$ <u>71,482</u>	\$ <u>76,581</u>
Income taxes	\$ <u>0</u>	\$ <u>0</u>

Non-cash Investing and Financing Activities

Forgiveness of debt	\$ <u>198,857</u>	\$ <u>198,858</u>
Transfer of properties held for sale to land and buildings	\$ <u>0</u>	\$ <u>665,000</u>
Transfer of construction in progress to pre-development costs	\$ <u>138,741</u>	\$ <u>0</u>
Transfer of construction in progress to properties held for sale	\$ <u>532,702</u>	\$ <u>613,252</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

A. Summary of Significant Accounting Policies

Corporation

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

Program and Supporting Services

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

Program Services:

Real Estate Development - This program includes all costs, excluding capital expenses, associated with developing and preserving affordable real estate for low income families, including both rental units and homes for sale. There are approximately 458 units in the concept/pre-development planning stage and 59 currently under construction. There were 113 units completed in 2018.

Home Ownership Promotion - This program consists of costs associated with promoting home ownership including the marketing and sale of newly developed properties, managing a buyer pipeline through a buyer pool development program, and acting as a contract administrator for other agencies by providing professional services regarding their lending programs. Homebuyer services such as mortgage counseling, credit repair and homebuyer training are provided by certain unrelated entities that are under contract with the Corporation. This program created 16 new homeowners through the sale of four homes owned by the Corporation and 12 through program administration for other agencies.

Asset Management - This program consists of expenses related to overseeing the management of operating rental properties including individual, multi-family and senior housing as both a direct owner and general partner. There are 1,132 units currently in service.

Community Services - This program encompasses activities focused on improving quality of life through economic opportunities, health & wellness, and youth and senior focused activities for individuals and families residing within the Faubourg Lafitte footprint. This program also includes the operation of Sojourner Truth Neighborhood Center with our partner, Enterprise Community Partners, and provides resident services and programs for low income families of

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2018

Summary of Significant Accounting Policies (Cont'd)

Program and Supporting Services (Cont'd)

the Faubourg Lafitte community. There were 1,300 referrals to community based programs and supportive resources in 2018. There were 73 seniors and 92 children who participated in the senior and youth programs, respectively. There were 23 individuals who secured employment. 59 individuals received case management services.

Supporting Services:

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

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

Basis of Accounting and Presentation

The consolidated financial statements include the accounts of Providence Community Housing and its subsidiaries. The subsidiaries are: Providence Annunciation Inn Apartments, LLC; Providence Nazareth Inn I, LLC; Providence Nazareth Inn Apartments II, LLC; Providence Delille Inn Apartments, LLC; Providence St. John Berchman's Apartments, LLC; Providence St. Bakhita Apartments, LLC; Lafitte Redevelopment, LLC; Providence Enterprise Orleans, LLC; Providence Building 12, LLC; Providence-Builders of Hope, LLC; Providence Lafitte Treme-Oak Place, LLC; Lafitte Senior Housing, LLC; PCH Sacred Heart at St. Bernard, LLC; Providence Columbia Sacred Heart, LLC; Onzaga Development Partners, LLC; PCH St. Ann Square, LLC; and St Ann 2017 Managing Member. These consolidated financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities. All significant inter-company balances have been eliminated in the consolidation.

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2018

Summary of Significant Accounting Policies (Cont'd)

Basis of Accounting and Presentation (Cont'd)

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

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

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

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

Cost Allocation

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

Limited Liability Companies

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

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

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Summary of Significant Accounting Policies (Cont'd)

Limited Liability Companies (Cont'd)

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

The Corporation owns 100% of PCH St. Ann Square, LLC which purchased the 99.9% limited partner interest of St. Ann Square Limited Partnership in 2016.

Noncontrolling Interest

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

The other member in Providence Enterprise Orleans, LLC, Lafitte Redevelopment, LLC and Lafitte Senior Housing, LLC is Enterprise New Orleans NT, LLC and in Providence-Builders of Hope, LLC, is Builders of Hope, Inc. Their interests in the partnerships' income is shown as noncontrolling interests. The ownership percentages for the corporations were 50% for 2018.

The other member in Providence Columbia Sacred Heart, LLC is Columbia Sacred Heart, LLC. The other member in Onzaga Development Partners, LLC is New Affordable Housing Partners, LLC. Their interests in the partnerships' income is shown as noncontrolling interests. The ownership percentages for the corporations were 49% for 2018.

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2017 from which the summarized information was derived.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Corporation provides for losses on accounts receivable using the allowance method. The allowance is based on experience, contracts, and knowledge of circumstances that may affect the ability of clients to meet

PROVIDENCE COMMUNITY HOUSING
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Summary of Significant Accounting Policies (Cont'd)

Accounts Receivable (Cont'd)

their obligations. Receivables are considered impaired if payments are not received in accordance with the contractual terms. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance for doubtful accounts is \$379 at December 31, 2018.

Due from Government Agency and Due from Government Agency -
Developer Fee

Due from Government Agency represent amounts that have been billed under agency contracts but not collected as of the date of the financial statements. All related receivable balances represent amounts owed by a local government agency. The receivable balance is stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2018, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Grants Receivable

Grants receivable represent amounts that have been billed under grant agreements but not collected as of the date of the financial statements. The related receivable balance consists of amounts owed by a local government agency and a nonprofit organization. The receivable balance is stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2018, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Notes Receivable - Programmatic Loans

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

Construction in Progress

Construction in progress consists of properties that will be rehabilitated for rental or home ownership purposes. There are currently no properties in construction in progress.

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Summary of Significant Accounting Policies (Cont'd)

Capital Lease Property and Lease Payable

Capital lease property includes infrastructure construction related to the Lafitte redevelopment site. Management determined that the infrastructure will be dedicated to the City of New Orleans at the end of the agreement, and therefore, has no value on the consolidated statement of financial position. Accordingly, improvements are stated at net realizable value with a valuation allowance of \$5,398,499, which represents the infrastructure cost incurred through December 31, 2018. The amounts included in the accompanying consolidated statement of financial position at December 31, 2018 are as follows:

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

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

Property and Equipment

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

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

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

Income Taxes

Providence Community Housing qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code of 1954 as amended. The Corporation had no unrelated business income for the year ended December 31, 2018. Providence Annunciation Inn Apartments, LLC; Providence Nazareth Inn I, LLC; Providence Nazareth Inn Apartments II, LLC; Providence Delille Inn Apartments, LLC; Providence St. John Berchman's Apartments, LLC; Providence St. Bahkita Apartments, LLC; Providence Lafitte Treme-Oak Place, LLC; PCH Sacred Heart at St. Bernard, LLC; and St. Ann 2017 Managing Member have elected to be taxed as corporate entities. Lafitte Redevelopment, LLC; Providence Enterprise Orleans, LLC; Providence Building 12, LLC;

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Summary of Significant Accounting Policies (Cont'd)

Income Taxes (Cont'd)

Providence-Builders of Hope, LLC; Lafitte Senior Housing, LLC; Providence Columbia Sacred Heart, LLC; Onzaga Development Partners, LLC; and PCH St. Ann Square, LLC have elected to be treated as partnerships for tax purposes.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained on examination. As of December 31, 2018, management of Providence Community Housing and Subsidiaries believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years December 31, 2015 and later remain subject to examination by the taxing authorities.

Cash Equivalents

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

Use of Estimates

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

Contributed Services

Donated services are recognized as contributions in accordance with U.S. generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. Volunteers also provided services throughout the year, which are not recognized as contributions in the consolidated financial statements since the recognition criteria under U.S. generally accepted accounting principles were not met. The Corporation did not recognize any donated services in 2018.

PROVIDENCE COMMUNITY HOUSING
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Summary of Significant Accounting Policies (Cont'd)

Donated Property and Equipment

Donation of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Corporation recognized no donated property in 2018.

Properties Held for Sale

Properties held for sale are recorded at cost when acquired or constructed, with allowances made to reflect the lower of cost or market. The properties held for sale consist of various lots (31) located in the Treme area of the City of New Orleans that will be used in Lafitte redevelopment projects. The costs associated with maintaining these properties are included in 'Carrying costs on properties held for sale' on the *Consolidated Statement of Functional Expenses* along with any additional construction costs incurred above the market value. In 2018, the Corporation sold properties in the amount of \$2,367,000. These properties had a cost of \$1,899,947 associated with them resulting in a gain of \$467,055.

Promises to Give

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

Management Fees

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

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Summary of Significant Accounting Policies (Cont'd)

Fair Value Measurements

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

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

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

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

There were no assets or liabilities measured at fair value.

Subsequent Events

Subsequent events have been evaluated through June 12, 2019 which is the date the consolidated financial statements were available to be issued.

B. Cash Restricted

Certain amounts of cash are restricted for the following purposes:

Lafitte case management	\$ 5,000
Lafitte youth services	2,500
NeighborWorks capital	79,910
Capital Magnet Fund	751,808
Tenant security deposits	<u>8,413</u>
	<u>\$847,631</u>

C. Due from Affiliates

The Corporation has provided assistance to affiliated projects. The amounts due from affiliates are non-interest bearing, have no repayment terms, and are payable out of surplus cash (if available). During 2018, advances totaled \$25,110 of which \$17,911 was reserved. Payments from affiliates totaled \$29,961.

PROVIDENCE COMMUNITY HOUSING
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Due from Affiliates (Cont'd)

The following are the balances receivable from these affiliates as of December 31, 2018:

Columbia Sacred Heart, LLC	\$ 49
Delille Inn, LLC - Operating/Pre-development costs	1,234
Lafitte Market Rate Rental, LLC	7,199
Lafitte Treme Oak Place, LLC - Administrative fees (Net of Allowance of \$103,688)	0
New Affordable Housing Partners LLC	<u>49</u>
	<u>\$8,531</u>

D. Developer Fee Receivable - Affiliates

	<u>Balance due</u>
The Corporation, through its subsidiary Providence Enterprise Orleans (PEO), is owed a developer fee from Lafitte Market Rental, LLC. This fee will be paid from development funding. During 2018, \$426,665 in payments were received.	\$ 105,842
The Corporation, through its subsidiary Providence-Builders of Hope, LLC, is owed a developer fee from Lafitte Treme Oak Place, LLC. The developer fee is payable from project surplus cash. During 2018, payments of \$31,002 were received.	490,926
The Corporation, through its subsidiary, Onzaga Development Partners, LLC, is owed a developer fee from Sacred Heart of St. Bernard, LLC. The developer fee is payable from equity and project surplus cash. During 2018, payments of \$218,738 were received.	1,032,944
The Corporation is owed developer fees, payable from surplus cash (if available), from the following projects:	
Delille Inn, LLC	132,045
Nazareth Inn I, LLC	178,615
St. Bakhita Apartments, LLC	<u>44,545</u>
	<u>\$1,984,917</u>

PROVIDENCE COMMUNITY HOUSING
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E. Notes Receivable

Notes receivable consists of the following at December 31, 2018:

Notes Receivable - Other:

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

(b) Annunciation Inn Apartments, LLC - HOME Fund	\$ 15,313
(c) Building 12, LLC - Deferred note - Building	270,000
(d) Building 12, LLC - Deferred development	266,370
(e) Delille Inn Apartments, LLC - Deferred development	134,450
(f) Delille Inn Apartments, LLC - HOME Fund	0
(g) Nazareth Inn I, LLC - Deferred development	786,994
(h) Nazareth Inn I, LLC - Deferred operating note	578,409
(i) St. Bakhita Apartments, LLC - Green note	50,000
(j) St. Bakhita Apartments, LLC - Rent note	559,869
(k) St. Bakhita Apartments, LLC - Deferred development	1,881,862
(l) St. John Berchman's Apartments, LLC - HOME Fund	25,829
(m) St. Ann Square Limited Partnership	88,142
(n) Sacred Heart at St. Bernard, LLC	876,782
(o) Sacred Heart at St. Bernard, LLC	0
(p) St. Ann 2017, LLC	<u>500,000</u>

<i>Total Notes Receivable - Affiliates</i>	<u>\$6,034,020</u>
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(a) As of December 31, 2018 the Corporation has lent \$2,155,888 to homeowners to acquire properties. These notes are recorded at their net realizable value. Cumulative impairment losses recognized on these notes total \$2,145,888.

(b) In May 2009, Annunciation Inn Apartments, LLC signed a promissory note in the amount of \$610,848. The balance of this note is \$596,958 and bears interest at the applicable federal rate of 2.64% at December 31, 2018. This note is due and payable on or before August 1, 2049. The accrued interest due at December 31, 2018 was \$15,313. Cumulative impairment losses recognized on this note total \$581,644. During 2018, interest and principal payments totaled \$50,000.

(c) In December 2008, Building 12, LLC signed a promissory note to pay the Corporation \$270,000. The note accrues interest at 8%. This note is due and payable in one payment in December 2040 and has accrued interest of \$167,400. Cumulative impairment losses recognized on this note total \$167,400.

PROVIDENCE COMMUNITY HOUSING
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DECEMBER 31, 2018

Notes Receivable (Cont'd)

(d) In 2010, Building 12, LLC completed development, and per the development agreement agreed to pay the Corporation \$92,447. The Corporation is owed \$92,447 as a deferred development fee which accrues interest at 8%. In 2012, Building 12, LLC completed additional development and earned an additional \$76,509 of deferred development fees. This loan will be paid from cash flow pursuant to the partnership's operating agreement. The accrued interest on this note is \$97,414.

(e) In May 2008, Delille Inn Apartments, LLC signed a development service agreement to pay the Corporation for developing the project. The deferred development fee is \$65,940 and accrues interest at 8%. This amount is due on or before December 31, 2023. The accrued interest on this note is \$68,510.

(f) In May 2009, Delille Inn Apartments, LLC signed a promissory note in the amount of \$388,826. This note bears interest at the applicable federal rate (2.64% at December 31, 2018). This note is due and payable on or before January 1, 2050. The accrued interest on this note is \$134,683. Cumulative impairment losses recognized on this note total \$523,509.

(g) In May 2009, Nazareth Inn I, LLC signed a development service agreement to pay the Corporation for developing the project. The deferred development fee is \$544,365 and accrues interest at 8%. This amount is due on or before December 31, 2022. The accrued interest on this note is \$242,629.

(h) In September 2009, Nazareth Inn I, LLC signed a promissory note to pay the Corporation for plumbing improvements. This note is for \$315,000 and accrues interest at 8%. This amount is due on or before October 1, 2049. The accrued interest on this note is \$263,409.

(i and j) In December 2007, St. Bakhita Apartments, LLC signed two notes to pay the Corporation. The notes are for \$50,000 and \$559,869 and accrue interest at a rate of 8%. These notes are due on or before December 31, 2042. The outstanding balance at December 31, 2018 was \$1,408,028, which includes accrued interest. Cumulative impairment losses recognized on these notes total \$798,159.

(k) In 2009, St. Bakhita Apartments, LLC completed development and per the development service agreement, agreed to pay the Corporation \$1,027,383. This note accrues interest at 8%. This amount is due and payable on or before December 31, 2022. The balance on this note as of December 31, 2018 was \$1,881,862 including accrued interest of \$914,479.

PROVIDENCE COMMUNITY HOUSING
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DECEMBER 31, 2018

Notes Receivable (Cont'd)

(l) In May 2009, St. John Berchman's Apartments, LLC signed a promissory note in the amount of \$1,284,626. This note bears interest at the applicable federal rate (2.64% at December 31, 2018). This note is due and payable on or before February 1, 2050. The balance on this note as of December 31, 2018 was \$931,345 and accrued interest on this note is \$18,441. During 2018, interest and principal payments totaled \$171,652. Cumulative impairment losses recognized on this note total \$923,956.

(m) In June 2016, St. Ann Square Limited Partnership signed a promissory note in the amount of \$650,000. This note bears interest at the 5.50% per year. This balance of the note and unpaid interest is due on July 1, 2018. The note was paid during the year ended December 31, 2018. Accrued interest of \$88,142 remains outstanding.

(n) In December of 2016, Sacred Heart at St. Bernard, LLC signed a promissory note in the amount of \$876,780. This note bears interest at 4.16% per year. The principal balance of this note and all accrued, but unpaid interest shall be paid annually for a period of thirty-six years beginning on October 1, 2018, solely from the available cash flow under the operating agreement, and the principal balance and all accrued, but unpaid interest shall be due and payable on October 1, 2054. The balance on this note as of December 31, 2018 was \$951,247, including accrued interest of \$74,465. Cumulative impairment losses recognized on this note total \$74,465.

(o) During 2017, Sacred Heart at St. Bernard, LLC signed a promissory note in the amount of \$1,145,621. This note was subsequently increased to \$1,552,022 and bears interest at 5% per year. The principal balance of this note and all accrued, but unpaid interest shall be paid annually for a period of thirty-six years beginning on October 1, 2018, solely from the available cash flow under the operating agreement, and the principal balance and all accrued, but unpaid interest shall be due and payable on October 1, 2054. The balance on this note, including accrued interest, as of December 31, 2018 was \$1,472,088. Cumulative impairment losses recognized on this note total \$1,472,088.

(p) During 2018, St. Ann 2017, LLC signed a promissory note with the Corporation totaling \$1,998,409. The note bears interest at 7.5% and is due May 1, 2060. A total of \$500,000 was advanced under this agreement in 2018. Accrued interest totaled \$1,541. Cumulative impairment losses recognized on this note total \$1,541.

During the year, \$695,677 of impairment losses were recorded as bad debt expense in the Real Estate Development and Asset Management programs.

PROVIDENCE COMMUNITY HOUSING
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F. Long-Term Debt

	<u>Mortgage</u>	<u>Forgivable Loan</u>	<u>Surplus Cash</u>
(a) Iberia Bank	\$627,971	\$ 0	\$ 0
(b) Louisiana Housing Finance Agency	0	0	4,253,452
(c) State of Louisiana	0	1,113,668	0
(d) New Orleans Redevelopment Authority	<u>47,940</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$675,911</u>	<u>\$1,113,668</u>	<u>\$4,253,452</u>

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

(b) In December 2007, the Corporation assumed a loan from UJAMAA Community Development Corporation and entered into an agreement with the Louisiana Housing Finance Agency for \$3,032,669. This amount includes a principal balance of \$2,750,047. Total accrued interest on this loan is \$1,503,405. This loan bears interest at a rate of 4% and is payable from surplus cash generated by property owned by the Corporation with the first payment from excess cash flow from Building 12, LLC with all unpaid principal and interest due April 2038. This loan is collateralized by real estate.

(c) Beginning in 2011, the Corporation entered into forgivable debt agreements with the State of Louisiana. The agreements are non-interest bearing. The debt is forgivable at 10% per year once the property meets the State of Louisiana's affordability criteria. During 2018, \$198,857 of this debt was forgiven.

(d) In 2009, the Corporation entered into agreements with the New Orleans Redevelopment Authority for \$226,800. \$172,800 was to be repaid upon the sale of properties and \$54,000 is due October 16, 2024. The notes are non-interest bearing and the balance of these loans as of December 31, 2018 was \$47,940.

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

2019	\$ 49,865
2020	52,756
2021	56,011
2022	59,365
2023	62,919
Thereafter	<u>5,762,115</u>
	<u>\$6,043,031</u>

G. Deferred Rents/Revenue

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

PROVIDENCE COMMUNITY HOUSING
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H. Net Assets

The following are the changes in net assets:

	<u>Net Assets Without Donor Restrictions</u>		<u>Net Asset With</u>		<u>Total</u>
	<u>Controlling</u>	<u>Noncontrolling</u>	<u>Total</u>	<u>Donor Restrictions</u>	<u>Net Assets</u>
Beginning of year	\$12,058,357	\$918,262	\$12,976,619	\$1,132,724	\$14,109,343
Contributed Capital	0	15,000	15,000	0	15,000
Distributions	0	(548,509)	(548,509)	0	(548,509)
Change in Net Assets	<u>867,445</u>	<u>592,951</u>	<u>1,460,396</u>	<u>1,238,084</u>	<u>2,698,480</u>
End of year	<u>\$12,925,802</u>	<u>\$977,704</u>	<u>\$13,903,506</u>	<u>\$2,370,808</u>	<u>\$16,274,314</u>

I. Restrictions on Net Assets

Net assets with donor restrictions are available for the following purposes at December 31, 2018:

Subject to expenditure for specified purposes:

Real Estate Development:	
Capital Magnet Fund	\$1,251,808
NeighborWorks America	1,111,500
Lafitte youth services	2,500
Lafitte case management	<u>5,000</u>
	<u>\$2,370,808</u>

The following net assets with donor restrictions were released from restrictions during 2018:

Lafitte playground	\$ 497
Lafitte youth services	9,574
Lafitte senior services	6,153
Lafitte case management	<u>5,000</u>
	<u>\$21,224</u>

J. NeighborWorks America Grants

The following grants were in effect during the year ended 2018 from NeighborWorks America:

Support Without Donor Restrictions

NeighborWorks America provides expendable grants to support program activities. During the year, \$446,524 was expended for this purpose.

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NeighborWorks America Grants (Cont'd)

Support With Donor Restrictions

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

K. Leasing Arrangements

The Corporation leases commercial space on an annual basis commencing on October 1, 2018. Rent expense for the year was \$88,020. Future rent due in 2019 is \$65,880.

L. Related Party Transactions

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

M. Concentrations

Included in revenue is a grant totaling \$1,250,000 received from the Community Development Financial Institution Fund. This one grant approximates 22% of the total revenue, support, gains and losses for the year.

The Corporation may be subject to credit risk to its cash and cash equivalent investments, which are placed with high credit-quality financial institutions. From time to time, the Corporation may have amounts on deposit in excess of the FDIC \$250,000 limit. Management believes the Corporation is not exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2018, the Corporation has approximately \$4,293,608 in cash and cash equivalents in excess of the FDIC \$250,000 limit. The Corporation has not experienced any losses on its cash and cash equivalents.

PROVIDENCE COMMUNITY HOUSING
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N. Programmatic Investments in Partnerships and Other Programmatic Investments

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

Managing Members:

Lafitte Treme - Oak Place, LLC	\$ 720,881
Nazareth Inn I, LLC	414,100
Other partnerships	(1,593)
St. Ann 2017, LLC	<u>650,000</u>
	<u>\$1,783,388</u>

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

	<u>St. Ann 2017, LLC</u>	<u>Lafitte Treme Oak Place, LLC</u>	<u>Nazareth Inn I, LLC</u>
Total Assets	<u>\$3,440,936</u>	<u>\$11,291,784</u>	<u>\$13,530,470</u>
Total Liabilities	<u>\$1,041,536</u>	<u>\$ 2,548,898</u>	<u>\$ 9,634,146</u>
Total Change in Net Assets	<u>\$ 0</u>	<u>\$ (272,134)</u>	<u>\$ (394,359)</u>

O. Liquidity and Availability of Financial Assets

The following reflects the Corporation's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date.

Financial Assets	\$14,701,117
Less: Amounts unavailable for general expenditures within one year	<u>10,668,487</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,032,630</u>

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

P. Commitments, Contingencies, and Guarantees

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

The Corporation has operating deficit guarantees for the various projects that they are the managing member. No amounts were required for the year ended December 31, 2018.

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2018

Commitments, Contingencies, and Guarantees (Cont'd)

The Corporation and another related corporation guaranteed a loan from the Louisiana Housing Corporation to Sacred Heart at St. Bernard, LLC, a related party, of \$400,000. At December 31, 2018, \$360,000 was outstanding.

The Corporation and another related corporation guaranteed a bank construction loan for Sacred Heart at St. Bernard, LLC, a related party, of \$7,224,088. At December 31, 2018, \$2,154,000 was outstanding.

In 2016, the Corporation and another unrelated corporation signed an operating deficit and completion guaranty agreement for the benefit of the State of Louisiana for the Artspace Bell School Project. The guarantee obligates any of the corporations to perform as necessary in order to ensure that the scope of the project is completed as anticipated. The project was complete as of December 31, 2018. The Corporation guaranteed a loan from the Louisiana Housing Corporation for the project of \$3,711,649. At December 31, 2018, \$3,711,649 was outstanding.

In 2018, the Corporation guaranteed various loans related to the construction financing for St. Ann 2017 totaling \$8,760,257. At December 31, 2018 \$530,243 was outstanding.

Q. Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14, requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes included reducing the classes of net assets from three classes to two - net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Corporation including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard was effective for the Corporation's year ending December 31, 2018 and was applied on a retrospective basis. The Corporation adopted the ASU effective January 1, 2017. Adoption of the ASU did not result in any restatements to total net assets or changes in total net assets.

SUPPLEMENTARY INFORMATION

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2018

	PCH Sacred Heart at St. Bernard, LLC and Subsidiary		TOTAL	Providence Community Housing	General Partners Total *
	PCH Sacred Heart at St. Bernard, LLC	Providence Columbia Sacred Heart, LLC			
ASSETS					
<u>Current Assets</u>					
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 3,813,656	\$ 0
Accounts receivable, Net	0	0	0	885	0
Due from government agency	0	0	0	3,402	0
Due from government agency - Developer fees	0	0	0	0	0
Grants receivable	0	0	0	1,224	0
Prepaid expenses	0	0	0	44,120	0
Total Current Assets	0	0	0	3,863,287	0
<u>Property and Equipment</u>					
Land	0	0	0	3,308,853	0
Buildings	0	0	0	5,185,651	0
Office furniture and equipment	0	0	0	203,206	0
	0	0	0	8,697,710	0
Less: Accumulated depreciation	0	0	0	717,107	0
Total Property and Equipment	0	0	0	7,980,603	0
<u>Other Assets</u>					
Cash restricted	0	0	0	840,131	0
Properties held for sale	0	0	0	332,275	0
Due from affiliates	51	100	151	134,328	0
Deposits	0	0	0	9,444	0
Developer fee receivable-Affiliates	0	0	0	355,205	0
Notes receivable - Other	0	0	0	10,000	0
Notes receivable - Affiliates	0	876,780	876,780	6,681,361	0
Custodial funds	0	0	0	0	0
Construction in progress	0	0	0	0	0
Capital lease property	0	0	0	0	0
Investments in partnerships	51	820,000	820,051	2,716,948	1,783,337
Pre-development costs	0	0	0	225,610	0
Total Other Assets	102	1,696,860	1,696,982	11,305,302	1,783,337
Total Assets	\$ 102	\$ 1,696,880	\$ 1,696,982	\$ 23,149,192	\$ 1,783,337

* General partners represents the activities of the following:

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

Lafitte Redevelopment, LLC	Providence Enterprise Orleans, LLC	Providence Builders of Hope, LLC	Lafitte Senior Housing, LLC	Onzaga Development Partners, LLC	FCH St. Ann Square, LLC	Total	Eliminations	Consolidated Total
\$ 20,681	\$ 135,267	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,969,604	\$ 0	\$ 3,969,604
0	0	0	0	0	0	885	0	885
57,515	0	0	0	0	0	60,917	0	60,917
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	1,224	0	1,224
775	1,675	0	0	0	0	46,570	0	46,570
78,971	136,942	0	0	0	0	4,079,200	0	4,079,200
0	0	0	0	0	0	3,308,853	0	3,308,853
55,750	0	0	0	0	0	5,241,401	0	5,241,401
0	0	0	0	0	0	203,206	0	203,206
55,750	0	0	0	0	0	8,753,460	0	8,753,460
2,817	0	0	0	0	0	719,924	0	719,924
52,933	0	0	0	0	0	8,033,536	0	8,033,536
0	7,500	0	0	0	0	847,631	0	847,631
0	0	0	0	0	0	332,275	0	332,275
0	0	0	0	100	0	134,579	(126,048)	6,531
0	0	0	0	0	0	9,444	0	9,444
0	105,842	490,926	0	1,032,944	0	1,984,917	0	1,984,917
0	0	0	0	0	0	10,000	0	10,000
0	0	0	0	0	0	7,558,141	(1,524,121)	6,034,020
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
272,835	0	0	0	0	0	272,835	0	272,835
0	0	0	0	0	0	5,320,336	(3,536,948)	1,783,388
199,558	0	0	0	0	0	425,168	0	425,168
472,393	113,342	490,926	0	1,033,044	0	16,895,326	(5,187,117)	11,708,209
\$ 604,297	\$ 250,284	\$ 490,926	\$ 0	\$ 1,033,044	\$ 0	\$ 29,008,062	\$ (5,187,117)	\$ 23,820,945

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
(Continued)
DECEMBER 31, 2018

	PCR Sacred Heart at St. Bernard, LLC and Subsidiary				
	PCR Sacred Heart at St. Bernard, LLC	Providence Columbia Sacred Heart, LLC	TOTAL	Providence Community Housing	General Partners Total *
LIABILITIES AND NET ASSETS					
<u>Current Liabilities</u>					
Accounts Payable and other accrued expenses	\$ 0	\$ 0	\$ 0	\$ 83,644	\$ 0
Construction payable	0	0	0	0	0
Accrued wages and vacation	0	0	0	22,870	0
Long-term debt due within one year	0	0	0	49,865	0
Total Current Liabilities	0	0	0	156,379	0
<u>Other Liabilities</u>					
Accounts payable - Other	0	0	0	98,993	0
Due to related parties	51	1,696,780	1,696,831	102	1,135,662
Funds held for others	0	0	0	0	0
Other liabilities	0	0	0	8,110	0
Deferred rents/revenue	0	0	0	777,936	0
Lease payable	0	0	0	0	0
Long-term debt, less current portion	0	0	0	5,993,166	0
Total Other Liabilities	51	1,696,780	1,696,831	6,878,307	1,135,662
Total Liabilities	51	1,696,780	1,696,831	7,034,686	1,135,662
<u>Net Assets</u>					
Without donor restrictions:					
Controlling interest	51	51	102	13,751,198	647,675
Noncontrolling interest	0	49	49	0	0
Total without donor restrictions	51	100	151	13,751,198	647,675
With donor restrictions	0	0	0	2,363,308	0
Total Net Assets	51	100	151	16,114,506	647,675
Total Liabilities and Net Assets	\$ 102	\$ 1,696,880	\$ 1,696,982	\$ 23,149,192	\$ 1,783,337

* General partners represents the activities of the following:

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

Lafitte Redevelop- ment, LLC	Providence Enterprise Orleans, LLC	Providence Builders of Hope, LLC	Lafitte Senior Housing, LLC	Onzaga Development Partners, LLC	PCR St. Ann Square, LLC	Total	Eliminations	Consolidated Total
\$ 47,872	\$ 18,696	\$ 0	\$ 0	\$ 0	\$ 0	\$ 150,212	\$ 0	\$ 150,212
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	22,870	0	22,870
0	0	0	0	0	0	49,865	0	49,865
47,872	18,696	0	0	0	0	222,947	0	222,947
0	0	0	0	0	0	98,993	0	98,993
0	125,895	0	0	0	0	2,958,490	(2,785,846)	172,644
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	8,110	0	8,110
0	0	0	0	0	0	777,936	0	777,936
272,835	0	0	0	0	0	272,835	0	272,835
0	0	0	0	0	0	5,993,166	0	5,993,166
272,835	125,895	0	0	0	0	10,109,530	(2,785,846)	7,323,684
320,707	144,591	0	0	0	0	10,332,477	(2,785,846)	7,546,631
141,795	42,647	245,461	0	498,195	0	15,327,073	(2,401,271)	12,925,802
141,795	55,546	245,465	0	534,849	0	977,704	0	977,704
283,590	98,193	490,926	0	1,033,044	0	16,304,777	(2,401,271)	13,903,506
0	7,500	0	0	0	0	2,370,808	0	2,370,808
283,590	105,693	490,926	0	1,033,044	0	18,675,585	(2,401,271)	16,274,314
\$ 604,297	\$ 250,284	\$ 490,926	\$ 0	\$ 1,033,044	\$ 0	\$ 29,008,062	\$ (5,187,117)	\$ 23,820,945

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018

PCH Sacred Heart at St. Bernard, LLC
and Subsidiary

	PCH Sacred Heart at St. Bernard, LLC	Providence Columbia Sacred Heart, LLC	Total	Providence Community Housing	General Partners Total *
REVENUE, SUPPORT, GAINS AND LOSSES					
Individual/business contributions	\$ 0	\$ 0	\$ 0	\$ 14,579	\$ 0
Grants	0	0	0	2,380,072	0
Interest	0	37,991	37,991	524,247	0
Development fees	0	0	0	394,177	0
Rents	0	0	0	286,011	0
Miscellaneous	0	0	0	17,630	0
Partnership income (loss)	0	0	0	254,998	(249)
Program services fees	0	0	0	26,361	0
Gain (loss) on sale of assets	0	0	0	467,055	0
Bad debt recoveries	0	0	0	218,938	0
<i>Total Revenue, Support, Gains and Losses</i>	0	37,991	37,991	4,584,068	(249)
EXPENSES					
Program Services:					
Real estate development	0	74,465	74,465	916,859	0
Home ownership promotion	0	0	0	293,745	0
Asset management	0	0	0	692,318	0
Community services	0	0	0	74,914	0
	0	74,465	74,465	1,977,836	0
Support Services:					
Management and general	0	0	0	361,860	0
Fund raising and communications	0	0	0	138,874	0
	0	0	0	500,734	0
<i>Total Expenses</i>	0	74,465	74,465	2,478,570	0
Change in Net Assets	0	(36,474)	(36,474)	2,105,498	(249)
Less: Change in net assets attributed to Noncontrolling interest	0	17,873	17,873	0	0
Change in Net Assets, Controlling interest	0	(18,601)	(18,601)	2,105,498	(249)
Net Assets					
Controlling interest - Beginning of Year	51	18,652	18,703	14,009,008	(2,076)
Contributions	0	0	0	0	650,000
Distributions	0	0	0	0	0
Net Assets					
Controlling interest - End of Year	\$ 51	\$ 51	\$ 102	\$ 16,114,506	\$ 647,675

* General partners represents the activities of the following:

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

Lafitte Redevelopment, LLC	Providence Enterprise Orleans, LLC	Providence Builders of Hope, LLC	Lafitte Senior Housing, LLC	Onzaga Development Partners, LLC	PCH St. Ann Square, LLC	Total	Eliminations	Consolidated Total
\$ 39,400	\$ 5,762	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,741	\$ (45,162)	\$ 14,579
60,817	10,125	0	0	0	0	2,451,014	(10,125)	2,440,889
0	0	0	0	0	0	562,238	0	562,238
0	188,878	0	0	1,251,682	0	1,834,737	(77,697)	1,757,040
0	0	0	0	0	0	286,011	0	286,011
0	8,939	0	0	0	0	26,569	0	26,569
0	0	0	0	0	(159,247)	95,502	(254,998)	(159,496)
14,400	64,436	0	0	0	0	105,197	(14,400)	90,797
0	0	0	0	0	0	467,055	0	467,055
0	0	0	0	0	0	218,938	0	218,938
114,617	278,140	0	0	1,251,682	(159,247)	6,107,002	(402,382)	5,704,620
10,488	228,278	0	0	0	0	1,230,090	(39,400)	1,190,690
0	0	0	0	0	0	293,745	0	293,745
0	0	0	0	0	0	692,318	0	692,318
14,400	269,626	0	0	0	0	358,940	(30,287)	328,653
24,888	497,904	0	0	0	0	2,575,093	(69,687)	2,505,406
0	0	0	0	0	0	361,860	0	361,860
0	0	0	0	0	0	138,874	0	138,874
0	0	0	0	0	0	500,734	0	500,734
24,888	497,904	0	0	0	0	3,075,827	(69,687)	3,006,140
89,729	(219,764)	0	0	1,251,682	(159,247)	3,031,175	(332,695)	2,698,480
(44,865)	109,882	0	0	(675,841)	0	(592,951)	0	(592,951)
44,864	(109,882)	0	0	575,841	(159,247)	2,438,224	(332,695)	2,105,529
81,931	373,352	260,962	178,645	51	159,247	15,079,823	(1,888,742)	13,191,081
15,000	0	0	0	0	0	665,000	(665,000)	0
0	(213,323)	(15,501)	(178,645)	(77,697)	0	(485,166)	485,166	0
\$ 141,795	\$ 50,147	\$ 245,461	\$ 0	\$ 498,195	\$ 0	\$ 17,697,881	\$ (2,401,271)	\$ 15,296,610

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NEIGHBORWORKS AMERICA
SCHEDULE OF FINANCIAL POSITION - CAPITAL FUND
DECEMBER 31, 2018

ASSETS

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

TOTAL ASSETS \$1,111,500

NET ASSETS

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

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NEIGHBORWORKS AMERICA
SCHEDULE OF ACTIVITIES - CAPITAL FUND
YEAR ENDED DECEMBER 31, 2018

REVENUES, GAINS, OTHER SUPPORT AND RELEASE OF CAPITAL:

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

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO THE CHIEF EXECUTIVE OFFICER
FROM PUBLIC FUNDS
YEAR ENDED DECEMBER 31, 2018

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

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

<u>Federal Grantor/Program Title</u> <u>Pass-Through Grantors</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass-through</u> <u>Entity</u> <u>Identifying</u> <u>Number</u>	<u>Passed</u> <u>Through</u> <u>to Sub-</u> <u>recipients</u>	<u>Federal</u> <u>Expend-</u> <u>itures</u>
U.S. Department of Housing and Urban Development:				
Passed through the City of New Orleans Home Investment Partnerships Program	14.239	HOME 2011-001 HOME 2015-006		\$ 3,107 <u>425,137</u> 428,244
Passed through State of Louisiana Community Development Block Grants/ State Program and non-entitlement Grants in Hawaii (Recovery Act Funded)	14.228	B-06-DG-22-002	\$45,725	45,725
Passed through Enterprise Community Partners Capacity Building for Community Development and Affordable Housing	14.252	17SF0851		<u>1,224</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>45,725</u>	<u>475,193</u>
U.S. Department of Treasury:				
Community Development Financial Institution Fund Capital Magnet Fund	21.011	171CM022377		500,000
Passed through NeighborWorks America	21.000			<u>446,524</u>
<i>Total U.S. Department of Treasury</i>				<u>946,524</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$45,725</u>	<u>\$1,421,717</u>

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Providence Community Housing and Subsidiaries under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Providence Community Housing and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Providence Community Housing and Subsidiaries.

B. Summary of Significant Accounting Policies

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

C. Indirect Costs

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

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(1905-1985)
KEITH T. HAMILTON, C.P.A.
(1932-2003)
LEROY P. LEGENDRE, C.P.A.
(Retired)

MEMBERS OF
AMERICAN INSTITUTE OF
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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Providence Community Housing and Subsidiaries (a nonprofit organization) (the "Corporation"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 12, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Paciera, Gautreau & Priest, LLC

Metairie, Louisiana
June 12, 2019

PACIERA, GAUTREAU & PRIEST, LLC
CERTIFIED PUBLIC ACCOUNTANTS

PACIERA, GAUTREAU & PRIEST, LLC

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LEROY P. LEGENDRE, C.P.A.
(Retired)

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

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

Report on Compliance for Each Major Federal Program

We have audited Providence Community Housing and Subsidiaries' (a nonprofit organization) (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2018. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Paciera, Gautreau & Priest, LLC

Metairie, Louisiana
June 12, 2019

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.011	Community Development Financial Institution Fund Capital Magnet Fund

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

Auditee qualified as low-risk auditee? Yes No

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
YEAR ENDED DECEMBER 31, 2018

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

PACIERA, GAUTREAU & PRIEST, LLC

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(Retired)

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Providence Community Housing and Subsidiaries
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Providence Community Housing and Subsidiaries (the "Entity") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the year ended 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 procedures. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the LLA, the specified user of the report. For those procedures, we will note that the 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

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.

1. Obtain and inspect the Entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the Entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and

**To the Board of Directors of Providence Community Housing and Subsidiaries
and the Louisiana Legislative Auditor:**

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

Board or Finance Committee

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.

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

**To the Board of Directors of Providence Community Housing and Subsidiaries
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- 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

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.

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

Collections

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.

4. Obtain a listing of deposit sites for the year 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).
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) Employees that are responsible for cash collections do not share cash drawers/registers.

**To the Board of Directors of Providence Community Housing and Subsidiaries
and the Louisiana Legislative Auditor:**

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- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

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

8. Obtain a listing of locations that process payments for the year and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: No exceptions were noted as a result of applying these procedures.

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 employees' job duties (if the agency has no written policies and procedures,

**To the Board of Directors of Providence Community Housing and Subsidiaries
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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.

Results: No exceptions were noted as a result of applying these procedures.

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.

Results: No exceptions were noted as a result of applying these procedures.

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

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 active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the year, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the year. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may

**To the Board of Directors of Providence Community Housing and Subsidiaries
and the Louisiana Legislative Auditor:**

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constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

- b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

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

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.

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the year and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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.

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15. 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 year 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.

16. Obtain a listing of employees/elected officials employed during the year 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.
17. Randomly select one pay period during the year. 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.
18. Obtain a listing of those employees/officials that received termination payments during the year 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'

**To the Board of Directors of Providence Community Housing and Subsidiaries
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cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

19. 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.

Other

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.

20. Obtain a listing of misappropriations of public funds and assets during the year 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.
21. 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.

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.



Metairie, Louisiana
June 12, 2019