GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

P&N

Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

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A Professional Accounting Corporation

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Gulf Coast Housing Partnership, Inc. and its subsidiaries (GCHP), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Postlethwaite & Netterville

Opinion

In our opinion, the consolidated financial statements referred to on the previous page present fairly, in all material respects, the consolidated financial position of Gulf Coast Housing Partnership, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, GCHP adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on page 29 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This supplementary information included on page 29 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such 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, such 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 April 23, 2020, on our consideration of GCHP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the effectiveness of GCHP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering GCHP's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
April 23, 2020

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Assets

	2019	2018
Current assets		
Cash and cash equivalents	$ 2,420,459	$ 2,837,425
Receivables	3,602,955	588,177
Prepaids	703,945	655,718
Restricted cash and cash equivalents	6,611,219	7,870,745
Current notes receivable	22,793	1,158,096
Total current assets	13,361,371	13,110,161
Restricted cash and cash equivalents	12,700,310	10,411,124
Real estate held for development and sale	12,479,748	12,293,373
Property and equipment		
Property and equipment, net of accumulated depreciation	143,071,887	129,424,047
Construction in progress	3,412,829	12,704,613
Total property and equipment, net of accumulated depreciation	146,484,716	142,128,660
Other assets	2,614,234	3,032,508
Investment in partnerships	1,165,306	1,174,291
Developer fee receivable, net of current portion	149,842	232,986
Notes receivable	15,027,654	15,080,613
Total assets	$ 203,983,181	$ 197,463,716

Liabilities and Net Assets

	2019	2018
Current liabilities		
Accounts payable	$ 551,205	$ 304,719
Current maturities of long-term debt, net	6,102,288	4,460,621
Construction costs payable	902,296	3,069,459
Refundable advance	997,250	-
Other payables	1,446,816	1,348,789
Total current liabilities	9,999,855	9,183,588
Long-term liabilities		
Deferred revenue	731,692	3,253,493
Other long-term payable	5,784,323	5,505,988
Long-term debt, net of current maturities and debt issuance costs	80,203,062	92,805,579
Total long-term liabilities	86,719,077	101,565,060
Total liabilities	96,718,932	110,748,648
Net assets		
Without donor restrictions		
GCHP - controlling interest	48,840,287	36,117,529
Noncontrolling interests in subsidiaries	55,742,712	48,597,539
Total net assets without donor restrictions	104,582,999	84,715,068
With donor restrictions	2,681,250	2,000,000
Net assets	107,264,249	86,715,068
Total liabilities and net assets	$ 203,983,181	$ 197,463,716

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total	2018 Without Donor Restrictions	2018 With Donor Restrictions	2018 Total
Support and revenue:						
Contributions, donations, and grants	$ 5,887,700	$ -	$ 5,887,700	$ 663,500	$ -	$ 663,500
Development fees	1,869,003	-	1,869,003	2,295,146	-	2,295,146
Property operations rental income	7,888,588	-	7,888,588	10,773,389	-	10,773,389
Federal grants	974,656	681,250	1,655,906	144,636	2,000,000	2,144,636
Forgiveness of debt, net	4,745,314	-	4,745,314	2,984,862	-	2,984,862
Interest income	138,057	-	138,057	294,216	-	294,216
Management fees	374,884	-	374,884	919,710	-	919,710
Rental income	223,537	-	223,537	219,669	-	219,669
Interest income on cash and cash equivalents	60,491	-	60,491	29,916	-	29,916
Gain (loss) on disposition	(41,715)	-	(41,715)	1,778,489	-	1,778,489
Other revenue	516,611	-	516,611	150,067	-	150,067
Total support and revenue	22,637,126	681,250	23,318,376	20,253,600	2,000,000	22,253,600
Expenses:						
Salaries and benefits	3,156,085	-	3,156,085	2,833,539	-	2,833,539
Depreciation and amortization	4,807,724	-	4,807,724	5,304,917	-	5,304,917
Property operating expense	7,367,025	-	7,367,025	8,298,319	-	8,298,319
Interest expense	1,968,817	-	1,968,817	2,688,687	-	2,688,687
Administrative	860,049	-	860,049	762,799	-	762,799
Property taxes and insurance	103,011	-	103,011	91,586	-	91,586
Total expenses	18,262,711	-	18,262,711	19,979,847	-	19,979,847
Change in net assets	4,374,415	681,250	5,055,665	273,753	2,000,000	2,273,753
Net assets at beginning of year	84,715,068	2,000,000	86,715,068	70,348,630	-	70,348,630
Cumulative adjustment due to Topic 606 implementation (see note 1(k))	3,148,147	-	3,148,147	-	-	-
Net assets at beginning of year, adjusted	87,863,215	2,000,000	89,863,215	70,348,630	-	70,348,630
Change in net assets	4,374,415	681,250	5,055,665	273,753	2,000,000	2,273,753
Noncontrolling members' contributions to subsidiaries	11,612,988	-	11,612,988	11,963,279	-	11,963,279
Sale/transfer of general partnership interest	732,381	-	732,381	2,129,406	-	2,129,406
Change in consolidated net assets	16,719,784	681,250	17,401,034	14,366,438	2,000,000	16,366,438
Net assets at end of year	$ 104,582,999	$ 2,681,250	$ 107,264,249	$ 84,715,068	$ 2,000,000	$ 86,715,068

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2019

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	$ 1,990,227	$ 1,096,740	$ 69,118	$ 3,156,085
Depreciation and amortization	4,752,803	54,921	-	4,807,724
Property operating expense	7,367,025	-	-	7,367,025
Interest expense	1,968,817	-	-	1,968,817
Administrative	-	860,049	-	860,049
Property taxes and insurance	14,574	88,437	-	103,011
Total expenses	$ 16,093,446	$ 2,100,147	$ 69,118	$ 18,262,711

2018

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	$ 1,671,788	$ 1,074,704	$ 87,047	$ 2,833,539
Depreciation and amortization	5,255,306	49,611	-	5,304,917
Property operating expense	8,298,319	-	-	8,298,319
Interest expense	2,688,687	-	-	2,688,687
Administrative	-	762,799	-	762,799
Property taxes and insurance	73,405	18,181	-	91,586
Total expenses	$ 17,987,505	$ 1,905,295	$ 87,047	$ 19,979,847

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	$ 5,055,665	$ 2,273,753
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,615,520	5,200,608
Forgiveness of debt	(4,745,314)	(2,984,862)
Amortization of deferred fees	192,204	104,309
Noncash interest (amortization of debt issuance costs)	235,496	100,344
Assignment of note receivable	(5,451,699)	-
Acquisition of PolyBar NCI	732,381	
Loss (gain) on disposition	41,715	(1,778,489)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	(1,204,453)	1,955,811
Decrease in developer fee receivable	83,144	78,460
Increase in prepaids	(48,227)	(211,262)
Increase in other assets	226,070	-
Increase (decrease) in accounts payable	246,486	27,475
Increase (decrease) in deferred revenue	(825,544)	(398,230)
Increase in other payables	17,927	1,372,616
Increase in refundable advances	997,250	-
Net cash provided by operating activities	168,621	5,740,533
Cash flows from investing activities:		
Purchases of real estate, property, and equipment	(12,292,460)	(22,273,609)
Funds advanced on notes receivable, net	1,188,262	(92,852)
Investment in McCaleb Supportive Housing L.L.C.	8,985	6,856
Sale of real estate held	925,631	-
Sale of FW Springs	-	1,786,972
FW Springs cash at date of disposition	-	(1,262,326)
Net cash used in investing activities	(10,169,582)	(21,834,959)
Cash flows from financing activities:		
Proceeds from notes payable	12,147,876	16,825,000
Payments on notes payable	(13,147,209)	(16,838,859)
Payments on construction loans payable	-	(1,458,959)
Contributions and transfers from noncontrolling interests	11,612,988	11,963,279
Change in other assets, net	-	(270,998)
Net cash provided by financing activities	10,613,655	10,219,463
Net increase (decrease) in cash and cash equivalents	612,694	(5,874,963)
Cash and cash equivalents at beginning of year	21,119,294	26,994,257
Cash and cash equivalents at end of year	$ 21,731,988	$ 21,119,294
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest, net of capitalized interest	$ 1,748,506	$ 2,848,980
Change in accounts payable related to construction	$ (2,167,163)	$ 76,436
Reconciliation to Statements of Financial Position		
Cash and cash equivalents for cash flow statements include:		
Cash and cash equivalents	$ 2,420,459	$ 2,837,425
Restricted cash, current	6,611,219	7,870,745
Restricted cash, long-term	12,700,310	10,411,124
	$ 21,731,988	$ 21,119,294

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

(1) Summary of Significant Accounting Policies

(a) History and Organization

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

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

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

Gulf Coast Housing Partnership, L.L.C.	GCHP Gert Town, L.L.C.
GCHP-Management, L.L.C.	GCHP-German Schoolhouse, L.L.C.
GCHP-NDF, L.L.C.	GCHP PolyBar, L.L.C.*
GCHP-MLK Development, L.L.C.	GCHP-1610 OCH, L.L.C.
GCHP-MSD1 GP*	GCHP-MSD1, LP*
OSBR Land, L.L.C.	GCHP-RBR I, L.L.C.**
GCHP-Scott, L.L.C.	GCHP-RBR II, L.L.C.**
GCHP-Jericho, L.L.C.	GCHP-RBR III, L.L.C.**
GCHP-Canal, L.L.C.	GCHP-RBR IV, L.L.C.**
GCHP-Westwego, L.L.C.	GCHP-RBR 2002, L.L.C.
GCHP-LDG, L.L.C.	Beverly Land, L.L.C.
GCHP-1409 OCH, L.L.C.	Village at the Beverly II GP, L.L.C.
1122 OCH, L.L.C.	Village at the Beverly II, L.P.
King Rampart L.L.C.	GCHP-North Park GP, L.L.C.
GCHP-Spanish Town, L.L.C.	GCHP Stevenson GP, L.L.C.
GCHP-Andrew L.L.C.	GCHP-Raymond Road GP, L.L.C.
1840 Baronne L.L.C.	GCHP-Springs, L.L.C.
GCHP Franklin MM L.L.C.	GCHP Franklin, L.L.C.
GCHP Hooper Ridge, L.L.C.	Hooper Ridge, L.L.C.
Pearl Street Southwest, L.L.C.	Pearl Street Southwest MM, L.L.C.
GCHP-Progress Park, L.L.C.	GCHP-Progress Park GP, L.L.C.
FNBC MLK Investments	GCHP Polybar Master Tenant, L.L.C.
165 Dauphin GP, L.L.C.	Village at the Beverly III GP, L.L.C.*
GCHP-Richland GP, L.L.C.*	GCHP-PolyBar Owner, L.L.C.
1300 OCH GP, L.L.C.*	H3C GP, L.L.C.*
Virginia Meadows Parcel 1, LLC*	Virginia Meadows Parcel 2, LLC*

* Denotes entity was formed or became wholly owned in 2019.
** Denotes entity was merged into GCHP-RBR 2002, L.L.C. in 2019.

(1) Summary of Significant Accounting Policies (continued)

(a) History and Organization (continued)

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

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

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

GCHP-Muses, L.L.C.
GCHP-Elysian, L.L.C.
GCHP-PolyBar Owner, L.L.C.
GCHP-Esplanade GP, L.L.C.
Village at the Beverly GP, L.L.C.
GCHP-Elysian II GP, L.L.C.
LMDB Lafourche GP, LLC*
GCHP-Cypress Gardens GP, L.L.C.*
GCHP-Virginia Meadows GP, LLC*
GCHP-Beau Sejour GP, L.L.C.
GCHP-Gabriel Villa GP, L.L.C.
Old Morrison GP, L.L.C.
Nel Court GP, L.L.C.
GCHP-Hammond GP, L.L.C.
GCHP-Jefferson Davis GP, L.L.C.
Country Ridge Estates GP, L.L.C.*
Village at the Beverly II GP, L.L.C.*

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

GCHP-Elysian III GP, L.L.C.*
GCHP-One Stop, L.L.C.
GCHP-1854 GP, L.L.C.
West-Millsaps GP, L.L.C.
GCHP-Mid City GP, L.L.C.
GCHP-Sacred Heart MM, LLC
McKee City Living GP, LLC*
GCHP-Sacred Heart, LLC
GCHP-Claiborne MM, L.L.C.
AG 2018, L.L.C.

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

Village at the Beverly, L.L.C.
GCHP-Mid City, L.L.C.
GCHP-Claiborne, L.L.C.
GCHP-Esplanade, L.L.C.
1300 OCH, L.L.C.*
165 Dauphin, L.P.
Gabriel Villa Apartments, L.P.
Nel Court, L.P.
GCHP-Jefferson Davis, L.L.C.
Raymond Road Partners, L.P.
1626 OCH GP, L.L.C.
Les Maisons De Bayou Lafourche, L.L.C.*
GCHP-Cypress Gardens, LP*
Village at the Beverly II, L.L.C.*
Virginia Meadows, LP*
GCHP-MLK, L.L.C.
1854 North Street, L.L.C.
West-Millsaps, L.L.C.
H3C, L.L.C.*
Northpark Housing, L.P.
GCHP-Hammond, L.L.C.
Beau Sejour Apartments, L.P.
Old Morrison Partners, L.P.
Stevenson Apartments, L.P.
1626 OCH L.L.C.
GCHP-Elysian II, L.L.C.
Country Ridge Estates, LP*
GCHP-Elysian III, L.L.C.*
McKee City Living, LP*

* Denotes entity was formed or became wholly owned in 2019.

(1) Summary of Significant Accounting Policies (continued)

(a) History and Organization (continued)

Other non-consolidated partnership interests are as follows:

.01% of The Elysian, L.L.C. (cost)	.01% of Country Club Estates LP, L.L.C. (cost)
.005% The Muses, LTD1 (cost)	50% of McCaleb Supportive Housing, L.L.C. (equity method)
	50% of Elysian Manager, L.L.C. (equity method)
	50% Country Club Estates GP, LLC (equity method)

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

(b) Basis of Presentation

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

- **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization had $2,681,250 and $2,000,000 of net assets with donor restrictions as of December 31, 2019 and 2018, respectively. These net assets are restricted by purpose and time.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

(c) Use of Estimates

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

(1) Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash demand deposits and all highly liquid debt instruments with an original maturity of three months or less from the date of purchase.

(e) Restricted Cash and Cash Equivalents

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

(f) Receivables

Receivables are charged to bad debt when they are deemed uncollectible. As of December 31, 2019 and 2018, management deemed that no allowance for uncollectible accounts was necessary.

GCHP uses the direct write-off method to provide for uncollectible accounts. There were no direct write-offs for the years ended December 31, 2019 and 2018. Use of this method does not result in a material difference from the valuation method required by US GAAP.

(g) Amortization of Deferred Fees

Debt issuance costs paid in connection with securing the financing of a property are amortized on an interest method basis over the term of the respective loan.

Tax credit costs and asset management fees are amortized over the tax credit period using the straight-line method. Accumulated amortization as of December 31, 2019 and 2018 was \$516,785 and \$427,469, respectively. Amortization expense was \$192,204 and \$104,309 for the years ended December 31, 2019 and 2018, respectively.

(h) Property and Equipment

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

(1) Summary of Significant Accounting Policies (continued)

(h) Property and Equipment (continued)

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the estimated cost to dispose. There were no impairments of long-lived assets recorded by management during the years ended December 31, 2019 and 2018.

(i) Tax Exempt Status

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

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

(j) Real Estate Development

GCHP capitalizes project costs which include acquisition and predevelopment costs (real estate held for development and sale), and construction and development costs incurred during construction (construction in progress) for each of its projects. GCHP also capitalizes, upon commencement of construction, interest charges from debt related to these specific projects. Interest capitalized was $205,802 and $160,889 for the years ended December 31, 2019 and 2018, respectively. When projects are sold, the related cost and accumulated depreciation as applicable are removed from the accounts; any gain or loss is included in the consolidated statements of activities.

(k) Revenue Recognition

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

(1) Summary of Significant Accounting Policies (continued)

(k) Revenue Recognition (continued)

A portion of GCHP's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when GCHP has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. GCHP received grants funds of $997,250 that have not been recognized as revenues at December 31, 2019, as qualifying expenditures have not yet been incurred.

GCHP has adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, using the cumulative effect method, which resulted in recognizing the cumulative effect of initially applying the guidance as an adjustment to opening net assets without donor restrictions as of January 1, 2019. Therefore, the comparative information has not been adjusted.

As part of the adoption of Accounting Standards Codification ("ASC") 606, the Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption resulted in an increase to beginning net assets without donor restriction of $3,148,147 as of January 1, 2019. The cumulative effect adjustment is related to development fee revenue recognition.

Under the new standard, revenue is recognized in accordance with the transfer of services to customers at an amount that reflects the consideration that GCHP expects to be entitled to for those services. The majority of GCHP's earned revenue is derived from residential and commercial rental income, which is scoped out from this standard and will be accounted for under ASU 2016-02 *Leases* (see Accounting Pronouncements Issued but Not Yet in Effect below).

Revenue streams that are scoped into ASU 2014-09 include:

Gains and losses on sales of real estate – A gain or loss on the sale of real estate assets is recognized when the criteria for an asset to be derecognized are met, which include when (i) a contract exists and (ii) the buyer obtained control of the nonfinancial asset that was sold.

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

(k) Revenue Recognition (continued)

Development fees – the performance obligation associated with development fees is the oversight of and management of the development or redevelopment of real estate projects. While the individual activities that comprise the performance obligation of the development fees can vary day to day, the nature of the overall performance obligation to provide development services is the same and considered by GCHP to be a series of services that have the same pattern of transfer to the customer and the same method to measure progress toward satisfaction of the obligation. Revenue is recognized over time using output measurements which reflect GCHP's performance in transferring control of the services to the customer and consideration of the status of construction on the project. These are estimates which require management's judgment. Consideration is payable in accordance with the individual development agreements and amounts maybe payable over periods that exceed one year.

Management fees – the performance obligation associated with management fees is the management of real estate properties. While the individual activities that comprise the performance obligation of the management fees can vary day to day, the nature of the overall performance obligation to provide management services is the same and considered by GCHP to be a series of services that have the same pattern of transfer to the customer and the same method to measure progress toward satisfaction of the obligation. GCHP recognizes revenue for fees as earned on a monthly basis and has concluded this is appropriate under the new standard. Management fees received in advance are deferred to the applicable period in which the related services are performed.

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

(l) Functional Expense Allocation

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

(1) Summary of Significant Accounting Policies (continued)

(m) New Accounting Pronouncements

The Federal Accounting Standards Board (FASB) has issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. GCHP adopted this ASU as of January 1, 2019, on a modified retrospective basis. The adoption of this pronouncement had an impact of an increase of $3,148,147 to GCHP's net assets as of January 1, 2019. See note 1(k) for more information.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. GCHP adopted this standard as of January 1, 2019 on a modified prospective basis. The adoption of this pronouncement had no impact on GCHP's total net assets.

(n) Accounting Pronouncements Issued but Not Yet in Effect

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The guidance is effective for annual periods beginning after December 15, 2020.

GCHP is currently assessing the impact of this pronouncement on the consolidated financial statements.

(o) Reclassifications

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

(2) Concentration of Risk

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

For the year ended December 31, 2019, GCHP had one non-recurring concentration of funding from a limited source representing 22% of total support and revenue related to the Polybar unwind (see Note 7). For the year ended December 31, 2018, GCHP had no concentration of funding from limited sources. The support from contributors for 2019 and 2018 was for project-specific subsidies and did not impact GCHP's ability to continue to function at its current level of operations.

(2) Concentration of Risk (continued)

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

(3) Liquidity and Availability

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

Financial assets at year end:	2019	2018
Cash and cash equivalents	$ 21,731,988	$ 21,119,294
Receivables	3,752,797	821,163
Notes receivable	15,050,447	16,238,709
Total financial assets	40,535,232	38,179,166
Less amounts not available to be used to meet general expenditures or not due in twelve months:		
Cash restricted for specific uses	15,088,408	12,380,838
Receivables	149,842	232,986
Notes receivable	15,027,654	15,080,613
	30,265,904	27,694,437
Financial assets available to meet general expenditures over the next twelve months	$ 10,269,328	$ 10,484,729

GCHP maintains a current cash reserve of approximately $1,487,000. As part of its liquidity plan, excess cash may be invested in short term investments with maturities of no more than 3 months, including US government securities and certificates of deposit. Funds are invested to ensure full FDIC coverage to the extent permissible by existing loan and/or investor covenants. In addition, GCHP has secured $2.5 million in working capital lines of credit to meet cash flow needs.

(4) Property and Equipment

Property and equipment is summarized as follows at December 31:

	2019	2018
Land, lots, buildings, and improvements	$ 163,176,181	$ 145,744,755
Construction in progress	3,412,829	12,704,613
Furniture, equipment, and fixtures	5,477,292	4,730,468
Total property and equipment	172,066,302	163,179,836
Less: accumulated depreciation	(25,581,586)	(21,051,176)
Property and equipment, net	$ 146,484,716	$ 142,128,660

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

Construction in progress represents construction costs incurred by the Organization as of December 31, 2019. The Organization entered into several construction contracts totaling $9,846,195 related to projects in process at year end. As of December 31, 2019, the Organization incurred $1,125,318 in construction costs, including retainage.

(5) Notes Receivable

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

	2019	2018
The Elysian, L.L.C. - (East Baton Rouge Parish Redevelopment funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	$ 841,100	$ 841,100
The Elysian, L.L.C. - (Office of Community Development funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	4,000,000	4,000,000
The Elysian, L.L.C. - (Louisiana Housing Finance Agency funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	2,099,930	2,099,930
The Elysian, L.L.C. - (Developer Fee Loan) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	352,617	352,617
Reconcile New Orleans, Inc. - (Health and Human Services funds) note receivable with interest rate at 0% per annum; principal is due December 31, 2041. The note is secured by real estate.	765,828	765,828
The Muses Ltd 1 - (HOME funds) note receivable with interest rate at 2.75% per annum; principal and accrued interest are due May 31, 2026. The note is secured by real estate.	2,000,000	2,000,000
The Muses Ltd 1 - (Enterprise funds) note receivable with interest rate at 0% per annum; principal is due at the earlier of the sale and/or the refinancing of The Muses Ltd 1 or October 1, 2039.	50,000	50,000

(5) Notes Receivable (continued)

	2019	2018
McCaleb Supportive Housing - note receivable with interest rate at 5% per annum; principal and accrued interest are due in monthly installments beginning April 19, 2013 and amortized over 15 years. The outstanding balance of any principal and interest is due at June 17, 2026. The note is secured by real estate.	$ 128,086	$ 140,334
3222 Canal Apartments - (HOME funds) note receivable with interest rate at 0% per annum; principal payment of note will be automatically forgiven upon the later of (i) the expiration of the affordability period set forth in the Grant Agreement and (ii) the payment in full of the Deferred Developer Fee as described in the Development Services Agreement. The note is secured by real estate.	1,000,000	1,000,000
Regional Community Finance - note receivable with interest rate at 0% per annum; principal is due June 27, 2023. Note is secured by security interest in the leverage loan to GCHP - PolyBar, L.L.C. project. This note was forgiven as of December 30, 2019 as part of the PolyBar unwind (see Note 7).	-	629,486
3222 Canal Apartments - (AHP funds) note receivable with interest rate at 0% per annum; principal is due February 26, 2030. The note is secured by real estate.	1,000,000	1,000,000
Mission Properties Foundation - (CDBG funds) note receivable with interest rate at 0% per annum; the note will be automatically forgiven upon the written acknowledgment by the State of Louisiana office of Community Development. The note is secured by real estate.	1,738,559	1,738,559

(5) Notes Receivable (continued)

	2019	2018
2700 Bohn Motor, L.L.C. - note receivable line of credit with interest rate of 5.75% per annum; principal and interest due February 28, 2018. Loan was subsequently paid off on January 31, 2020.	$ 10,575	$ 10,575
NBC - USA Housing Inc Twenty-Six - (HOME funds) note receivable with interest at 0% per annum; principal is due March 28, 2033.	475,000	475,000
Regional Community Finance Bridge Loan - note receivable with interest at 2% per annum; interest is due annually at December 31 and all unpaid principal and interest is due at December 31, 2019. This note was forgiven December 31, 2019 as part of the PolyBar unwind (see Note 7).	-	1,106,816
Midtown Land - note receivable with interest at 0% per annum; repayable in twelve monthly installments of $3,558. The note matured August 30, 2019.	-	28,464
Country Club Estates, LP - (AHP funds) note receivable with interest rate at 3.08% per annum; principal is due December 31, 2059. The note is secured by real estate.	500,000	-
Odyssey House Louisiana - $1,000,000 note receivable line of credit with an interest rate of 6.50% per annum; interest is due monthly and all unpaid principal and interest are due at maturity on April 29, 2021.	88,752	-
Total notes receivable	15,050,447	16,238,709
Less – current maturities	(22,793)	(1,158,096)
Total notes receivable, less current portion	$ 15,027,654	$ 15,080,613

Accrued interest receivable on the above notes totaled $601,716 and $569,443 as of December 31, 2019 and 2018, respectively. Accrued interest receivable is included in receivables in the consolidated statements of financial position. As of December 31, 2019, GCHP had an unfunded loan commitment in the amount of $760,416 which is unsecured, bears an interest rate of 0%, and matures on December 2, 2049.

(6) Long-Term Debt

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

Corporate Debt	2019	2018
Unsecured acquisition/predevelopment/development loans, bearing interest from 1% to 5.5%, with interest-only payments due monthly/semi-annual/quarterly, with the exception of one loan that has a monthly principal and interest amortization, to be repaid in full at maturity at various dates through 2025. Interest expense was $348,639 and $273,634 in 2019 and 2018, respectively.	$ 11,292,836	$ 12,314,034
Secured, state agency loans designated for pass through construction funding, bearing 0% interest, forgivable or assignable at the end of the five year compliance period, beginning upon meeting occupancy requirements for the property. This loan was forgiven in 2019.	-	4,403,312
Unsecured, recourse, qualified low income community investment (QLICI) loans, bearing interest at 1% with annual interest only payments through December 10, 2020 and as of December 10, 2021 monthly principal and interest payments in an amount sufficient to fully amortize the outstanding principal balance as of the maturity date of December 21, 2044. Interest expense was $33,500 in 2019 and 2018.	2,000,000	2,000,000
Secured, recourse lines of credit, totaling $11,500,000 of available credit for predevelopment/construction financing, bearing interest from 4.84% to 5.75% payable monthly, with entire principal to be repaid in full at maturity at various dates through 2022. Interest expense was $134,302 and $152,037 in 2019 and 2018, respectively.	3,039,396	2,744,977

(6) Long-Term Debt (continued)

Corporate Debt (continued)	2019	2018
Secured, non-recourse working capital lines of credit, bearing interest at 5.20% payable monthly, with entire principal to be repaid in full at maturity of various dates through August 1, 2022. Interest expense was $11,050 and $29,703 in 2019 and 2018, respectively.	$ 151,396	$ 388,952
Total corporate debt	16,483,628	21,851,275
Partnership Debt		
Secured, Louisiana state agency loans, bearing interest from 0% to 4.9%, principal and interest payments are payable from property cash flow. To be repaid in full at various dates through 2059. Amortization of debt issuance cost and interest expense was $318,093 and $311,086 in 2019 and 2018, respectively.	$ 30,411,116	$ 28,310,186
Secured, recourse qualified low-income community investment (QLICI) loans, bearing interest from 0.50% to 0.63% payable quarterly. Principal to be repaid in full at various dates through 2051. Amortization of debt issuance cost and interest expense was $128,387 and $145,963 in 2019 and 2018, respectively.	1,947,000	12,844,452
Secured, recourse acquisition and construction loans, bearing interest at fixed and variable rates from 1.24% to 4.75% payable monthly, with principal to be repaid in full at maturity or convertible to permanent financing with maturities from 2020 to 2058. Capitalized interest was $14,695 and $160,889 and interest expense was $45,132 and $151,550 in 2019 and 2018, respectively.	2,422,960	7,977,236

(6) Long-Term Debt (continued)

Partnership Debt (continued)	2019	2018
Secured, Louisiana state agency loans, bearing 0% interest, forgiven during the compliance period or forgivable or assignable at the end of the compliance period ranging from 5 to 20 years, beginning upon issuance of the conversion certificate or meeting occupancy requirements for the property. In the event of non-compliance, maturity dates range from 2026 to 2047.	$ 7,560,797	$ 8,306,112
Permanent, secured conventional loans, bearing interest from 1% to 7.75%, generally with principal and interest due monthly, to be repaid in full at various dates through 2058. Capitalized interest was $191,108 and $0 and interest expense was $849,189 and $1,397,319 in 2019 and 2018, respectively.	26,804,441	17,537,027
Secured, non-recourse, partner loan from pass through rehabilitation financing, bearing interest from 4% to 4.35%, with interest and principal payable from property cash flow. To be repaid in full at December 31, 2058. Interest expense was $100,525 and $92,659 in 2019 and 2018, respectively.	2,202,740	2,202,740
Total partnership debt	71,349,054	77,177,753
Total debt	87,832,682	99,029,028
Less – current maturities of remaining long term debt	(6,102,288)	(4,460,621)
Less – unamortized debt issuance costs, net	(1,527,332)	(1,762,828)
Total debt, less current maturities	$ 80,203,062	$ 92,805,579

(6) Long-Term Debt (continued)

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

2020	$	6,102,288
2021		2,170,243
2022		6,871,802
2023		1,762,008
2024		485,474
Thereafter		30,266,214
Loans based on cash flow		32,613,856
Forgivable loans		7,560,797
	$	87,832,682

Loans based on cash flow are loans whereby interest is paid out of surplus cash or available cash flow. Forgivable loans are forgivable over time or on the achievement of certain milestones specified by the loan agreements. Bonds payable from long-term debt represent current maturities to be paid from long-term debt secured in the current year. Transferrable loans are loans whereby the obligation terminates upon conditions met per the loan agreements.

Certain notes payable are subject to financial covenants as defined in the specific note payable agreements. Management has determined that the Organization is in compliance with these covenants as of December 31, 2019 and 2018.

(7) PolyBar Unwind

In December 2019 the New Market Tax Credit transaction compliance period ended for the PolyBar project and the transaction was unwound. The related notes receivable and long-term debt in Note 5 and Note 6 were restructured as follows:

Effective December 30, 2019:
Note A in the amount of $612,000 was purchased from OSK VII, L.L.C. for face value by GCHP. Since the borrower of the note is GCHP PolyBar, L.L.C., the note is eliminated upon consolidation.

Note B in the amount of $2,591,218 was assigned to Regional Community Finance, Inc. ("RCF") by FNBC NMTC #1, L.L.C. The borrower on this note is GCHP PolyBar, L.L.C. RCF then forgave a portion of the note in the amount of $1,736,301 resulting in debt forgiveness revenue. Subsequently, GCHP forgave notes receivable due from RCF. Contribution revenue related to debt forgiveness has been presented net of this debt forgiveness expense.

Note C in the amount of $5,451,699 was assigned to GCHP by FNBC 2010 Sub-CDE #10, LLC. The borrower of the note was GCHP PolyBar, L.L.C. The assignment of the note is presented as contribution revenue on the consolidated statements of activities and changes in net assets. GCHP then forgave the note and the forgiveness was eliminated upon consolidation.

(7) PolyBar Unwind (continued)

10% membership interest in GCHP PolyBar, L.L.C. was transferred to GCHP by the owner, FNBC 2010 Sub-CDE #10, LLC, making GCHP PolyBar, L.L.C. a wholly owned subsidiary of GCHP as of December 31, 2019.

(8) Commitments and Contingencies

Loan Guarantees

GCHP is contingently liable for a CDBG loan between Regional Community Finance, Inc. and State of Louisiana, Office of Community Development. The loan, dated November 27, 2013, was for $1,000,000 of which $849,835 and $1,000,000 was outstanding at December 31, 2019 and 2018, respectively. The note has an interest rate of 1% per annum. A balloon payment in the amount of $145,083 was due and made on October 27, 2019. The loan then converted to an amortizing note and the remaining interest and principal is payable monthly, due November 27, 2043.

GCHP is contingently liable for multiple loans between Regional Community Finance, Inc. and lenders on the 2700 Bohn project. The notes are dated December 5, 2017 with total principal of $14,215,000. They bear interest rates from 5.75% to 6.09% and mature from 2019 to 2024. GCHP is contingently liable for multiple loans between Odyssey House Investment Fund, LLC and Regional Community Finance, Inc. The notes are dated December 5, 2017 with total principal of $10,845,743. They bear interest rates from 1.595212% to 6.09% and mature from 2024 to 2038.

GCHP is contingently liable for a construction loan between Country Club Estates, LP and lenders on the Country Club Estates project. The note is dated April 30, 2019 with total principal of $6,432,617. It bears an interest rate of LIBOR plus applicable margin and matures on April 30, 2021.

Tax Credits

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

(9) Related Party Transactions

Enterprise Community Partners, Inc.

During the years ended December 31, 2019 and 2018, Enterprise Community Partners, Inc. awarded GCHP with operating grants. GCHP recorded a total of $12,235 and $49,850 on the consolidated statements of activities and changes in net assets as grant income for the years ended December 31, 2019 and 2018, respectively. A Vice President of Enterprise Community Partners, Inc. is a board member and related party of GCHP.

(9) Related Party Transactions (continued)

The Housing Partnership Network, Inc.

On June 27, 2017 and November 13, 2018, GCHP entered into separate promissory notes with the Housing Partnership Network, Inc. ("HPN"). The President of HPN is a board member and related party of GCHP. The notes have an interest rate of 4% and 4.5%, respectively. The notes had an outstanding balance of $2,500,000 and $1,000,000 as of December 31, 2019 and December 31, 2018, respectively.

Capital Area Alliance for the Homeless

GCHP-Scott, LLC has a loan with the Capital Area Alliance for the Homeless ("CAAH"). CAAH is a partner in a GCHP consolidated entity. At December 31, 2019 and 2018, the outstanding balance on the loan was $384,000 and the interest rate was 4.35%.

NBC USA Housing

As disclosed in Note 5, GCHP has loaned funds to NBC USA Housing with principal balances of $475,000 as of December 31, 2019 and 2018. The Chairman of the Board of NBC USA Housing is a board member and related party of GCHP.

Regions Bank

During the years ended December 31, 2019, December 31, 2018, and prior years, GCHP, or its affiliates, entered into loan agreements with Regions Bank. A Senior Vice President of Regions Bank was a board member and related party of GCHP for part of the year ended December 31, 2018. The notes had an outstanding balance of $2,286,146 and $2,266,176 with interest rates ranging from 1.867% to 5% at December 31, 2019 and 2018.

Regional Community Finance

The President and related party of GCHP is also on the Board of Regional Community Finance, Inc ("RCF"). GCHP MLK Leverage Lender, L.L.C is a subsidiary of RCF. During the years ended December 31, 2019, December 31, 2018, and prior years, GCHP, or its affiliates, entered into loan agreements (both payable and receivable) with RCF and GCHP MLK Leverage Lender, LLC. The notes payable had an outstanding balance of $3,617,041 and $2,775,218 with interest rates ranging from 0.50% to 5% at December 31, 2019 and 2018, respectively. The notes receivable had an outstanding balance of $0 and $1,736,302 with interest rates ranging from 0% to 2% at December 31, 2019 and 2018, respectively. Additionally, see disclosures regarding the Polybar Unwind in Note 7 and loan guarantees in Note 8.

(10) Noncontrolling Interest

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

	Total	Controlling Interest	Noncontrolling Interest
Balance December 31, 2017	$ 70,348,630	$ 31,143,753	$ 39,204,877
Change in net assets	2,273,753	6,973,776	(4,700,023)
Contributions to subsidiaries by noncontrolling shareholders	11,963,279	-	11,963,279
Transfer of GP interest	2,129,406	-	2,129,406
Change in consolidated net assets	16,366,438	6,973,776	9,392,662
Balance December 31, 2018	86,715,068	38,117,529	48,597,539
Cumulative adjustment due to topic 606 implementation (see note 1(k))	3,148,147	3,148,147	-
Adjusted as of January 1, 2019	89,863,215	41,265,676	48,597,539
Change in net assets	5,055,665	10,255,861	(5,200,196)
Contributions to subsidiaries by noncontrolling shareholders	11,612,988	-	11,612,988
Purchase of partnership interest	732,381	-	732,381
Change in consolidated net assets	17,401,034	10,255,861	7,145,173
Balance December 31, 2019	$ 107,264,249	$ 51,521,537	$ 55,742,712

(10) Noncontrolling Interest (continued)

Capital contributions to and distributions from consolidated subsidiaries by noncontrolling interests for the years ended December 31, 2019 and 2018 are as follows:

Subsidiaries	2019	2018
Beau Sejour Apartments, L.P.	$ 881,965	$ 1,152,004
GCHP-Elysian II, L.L.C.	1,568,000	2,016,000
FW Springs, L.P.	-	(461,974)
Gabriel Villa Apartments, L.P.	(19)	1,670,407
1626 OCH, LLC	645,067	62,781
GCHP-Hammond, L.L.C.	(9,041)	5,734,416
GCHP-MLK, L.L.C.	-	(4,410)
GCHP-Jefferson Davis, L.L.C.	459,057	1,794,055
GCHP-Elysian III, L.L.C.	916,627	-
Village at the Beverly II, L.L.C.	6,674,332	-
Progress Park	477,000	-
Net contributions to subsidiaries	$ 11,612,988	$ 11,963,279

There was a purchase of membership interest during the year ended December 31, 2019 related to GCHP-Polybar, L.L.C. The purchase resulted in an equity transfer of $732,381. Transfer of GP interest during the year ended December 31, 2018 in the amount of $2,129,406 is related to FW Springs.

(11) Grant Programs

GCHP participates in a number of federal and state programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that GCHP has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of December 31, 2019 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying consolidated financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and GCHP.

(12) Subsequent Events

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting employment, federal funding, supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on GCHP's financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on GCHP's tenants, projects, funding streams, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact GCHP's financial condition or results of operations is uncertain.

On March 27, 2020 GCHP entered into a note payable to Disability Opportunity Fund, Inc. ("DOF") in the amount of $2,000,000 bearing interest of 5% per annum payable in monthly installments of $11,691.80 with a maturity date of April 1, 2025. A portion of this funding was used to pay off an existing note payable to DOF with an approximate balance of $1,000,000 as of December 31, 2019.

Financing related to the McKee City Living project in Houston, Texas closed in March of 2020. The following notes payable were executed:

> McKee City Living, LP entered into a note payable to Wells Fargo Bank, NA in the amount of $15,000,000 with a maturity date of September 3, 2022. Interest is payable monthly at a rate of LIBOR plus 1.65%.
>
> McKee City Living, LP entered into a note payable to the Covenant Neighborhoods, Inc. in the amount of $14,500,000 with a maturity date of 40 years following project competition. Interest is payable monthly at a rate of 1% per annum.

On January 8, 2020, GCHP entered into a Workout and Settlement Agreement with the Mississippi Development Authority to settle subrecipient grant funding due related to the West Millsaps Development in Jackson, Mississippi in the amount of $1,025,000. Funds related to this agreement were received in January 2020 and are presented on the statement of financial position as accounts receivable as of December 31, 2019.

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, April 23, 2020, and determined that no other items require disclosure. No events after this date have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTAL INFORMATION

GULF COAST HOUSING PARTNERSHIP, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2019

Chief Executive Officer Name: Kathy Laborde

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

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

See accompanying independent auditors' report.

GULF COAST HOUSING PARTNERSHIP, INC.

SINGLE AUDIT REPORT

DECEMBER 31, 2019

P&N

Postlethwaite & Netterville

A Professional Accounting Corporation

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GULF COAST HOUSING PARTNERSHIP, INC.

SINGLE AUDIT REPORT

DECEMBER 31, 2019

Gulf Coast Housing Partnership, Inc.

Single Audit Report

December 31, 2019

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Gulf Coast Housing Partnership Inc. (a nonprofit organization) (GCHP), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 23, 2020.

Internal Control over Financial Reporting

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

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

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

Postlethwaite & Netterville

Compliance and Other Matters

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

Purpose of this Report

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

Postlethwaite & Netterville

Metairie, Louisiana
April 23, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited Gulf Coast Housing Partnership Inc.'s (a nonprofit organization) (GCHP) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on GCHP's major federal programs for the year ended December 31, 2019. GCHP's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of GCHP's compliance.

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Postlethwaite & Netterville

Opinion on Each Major Federal Program

In our opinion, GCHP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Postlethwaite & Netterville

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

We have audited the consolidated financial statements of GCHP as of and for the year ended December 31, 2019, and have issued our report thereon dated April 23, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Postlethwaite & Netterville

Metairie, Louisiana
June 23, 2020

Gulf Coast Housing Partnership, Inc.
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2019

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA/ Public Law Number	Grant Number/ Pass-Through Entity Identifying Number	Federal Expenditures in 2019
Congressional Appropriations:			
Pass-through program from:			
NeighborWorks America	21.115.141	G-NONEXT-2019-54832	$ 50,000
U.S. Department of the Treasury:			
Pass-through program from:			
Community Development Financial Institutions Fund			
Capital Magnet Fund	21.011	171CM022253 & 181CM050527	1,156,249
U.S. Department of Health & Human Services:			
Community Economic Development Program	93.570	90EE1090-01-00	437,422
U.S. Department of Housing and Urban Development:			
Pass-through program from:			
Enterprise Community Partners			
Housing and Urban Development (HUD)	14.252	16SG0402 & 17SG0736	12,235
Pass-through program from:			
New Orleans Redevelopment Authority			
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	unknown	410,103

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

Gulf Coast Housing Partnership, Inc.
Schedule of Expenditures of Federal Awards (continued)
For the year ended December 31, 2019

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA Number	Grant Number/ Pass-Through Entity Identifying Number	Federal Expenditures in 2019
Pass-through program from:			
East Baton Rouge Redevelopment Authority			
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	B-08-DI-22-001	403,313
Pass-through program from:			
Louisiana Housing Corporation (LHC)			
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	PB2018 ProjectNo. 13	1,438,271
Pass-through program from:			
Louisiana Housing Corporation (LHC)			
Neighborhood Landlord Rental Program			
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	RBR 2002	479,368
Pass-through program from:			
Louisiana Housing Corporation (LHC)			
Neighborhood Landlord Rental Program			
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	RBR II	149,828

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

Gulf Coast Housing Partnership, Inc.
Schedule of Expenditures of Federal Awards (continued)
For the year ended December 31, 2019

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA Number	Grant Number/ Pass-Through Entity Identifying Number	Federal Expenditures in 2019
Pass-through program from:			
Louisiana Housing Corporation (LHC)			
Neighborhood Landlord Rental Program			
Community Development Block Grants/State's			
Program and Non-entitlement Grants in Hawaii	14.228	unknown	123,728
Total Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii			3,004,611
Pass-through program from:	14.239	unknown	100,000
City of Baton Rouge Office of Community Development			
Home Investment Partnerships Program			
Pass-through program from:			
Louisiana Housing Corporation (LHC)	14.239	unknown	150,000
Home Investment Partnerships Program			
Total Home Investment Partnerships Program			250,000
Total U.S. Department of Housing and Urban Development			3,266,846
		Total Federal Award Expenditures	**$ 4,910,517**

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

Gulf Coast Housing Partnership, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2019

1. General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal awards of Gulf Coast Housing Partnership, Inc. (GCHP). The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The GCHP reporting entity is defined in Note 1 to the consolidated financial statements for the year ended December 31, 2019. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other entities. The Schedule presents only a selected portion of the operations of GCHP; it is not intended to and does not present the consolidated financial position, consolidated statement of activities, or consolidated cash flows of GCHP.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to GCHP's consolidated financial statements for the year ended December 31, 2019. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

3. Relationship to Financial Statements

Federal award expenditures of $4,910,517 are reported as follows:

Federal grants	$ 1,655,906
Long-term debt	3,254,611
Total federal expenditures	$ 4,910,517

Total federal award expenditures of $1,655,906 are within the federal grant revenue reflected in the statement of activities and changes in net assets. Grants advanced through the state CDBG block grant loan program are not presented as federal award loans on the Schedule as they are not direct loans from federal agencies.

4. Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports, except for the amounts in reports submitted subsequent to December 31, 2019.

Gulf Coast Housing Partnership, Inc.

Schedule of Findings and Questioned Costs

Year ended December 31, 2019

1) Financial Statements

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

   b) Internal control over financial reporting:

      Material weakness identified: No

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

      Noncompliance material to financial statements noted: No

2) Federal Awards

   a) Internal control over major programs:

      Material weakness identified: No

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

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

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

   d) The following is an identification of major programs:

      United States Department of Housing and Urban Development

      - CFDA No. 14.228 – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

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

   f) Did the auditee qualify as a low risk auditee under the Uniform Guidance? Yes

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

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

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Independent Accountants' Report
On Applying Agreed-Upon Procedures
For the Year Ended December 31, 2019

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

We have performed the procedures enumerated below, which were agreed to by the Gulf Coast Housing Partnership (GCHP or the Entity) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

      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.

   b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

      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.

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

      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.

d) ***Receipts***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

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.

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

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.

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.

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.

g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

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

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

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

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

N/A

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

N/A

k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Exception noted. The Entity did not have a written policy to cover Disaster Recovery/Business Continuity.

Board or Finance Committee

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.

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

   a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

   b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

   c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations

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.

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

   a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

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

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

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

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

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

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

      No exceptions noted.

   b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

      No exceptions noted.

   c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

      No exceptions noted.

d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions noted.

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

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

7. Randomly select two deposit dates for each of the 5 bank accounts selected for testing (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:

We selected two deposit dates (or all if less than two) for the four bank accounts selected resulting in six items being tested. We obtained supporting documentation for each of the deposits and performed the procedures below.

a) Observe that receipts are sequentially pre-numbered.

The Entity does not maintain sequentially pre-numbered receipts.

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

Exceptions noted for four of the six items tested. Prior to May 2019, the Entity did not maintain sequentially pre-numbered receipts, system reports, or other related collection documentation. As such, we were unable to perform the procedure on four of the six items selected for testing.

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

No exceptions noted.

d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100).

Exceptions noted for four of the six items tested. Prior to May 2019, the Entity did not maintain sequentially pre-numbered receipts, system reports, or other related collection documentation to document when payments are received. As such, we were unable to perform the procedure on four of the six items selected for testing.

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

No exceptions noted.

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

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

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

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

   a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

   b) At least two employees are involved in processing and approving payments to vendors.

   c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

   d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

   a) Observe that the disbursement matched the related original invoice/billing statement.

   b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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 fiscal period. 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 (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may 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, <u>excluding fuel cards</u>, 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period 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.

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 fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

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

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

    a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

    b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

    c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

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18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' 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.

Ethics

N/A – The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the procedures should be performed. Ethic procedures are not applicable to GCHP.

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

    a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

    b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

N/A – This AUP category is generally not applicable to non-profit entities; however, if applicable, the procedures should be performed. Debt service procedures are not applicable to GCHP.

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

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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.

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

24. 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.

Corrective Action

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

    1(k) - The organization will draft policies and procedures around disaster recovery.

    7 - The organization will continue to monitor the procedures to ensure risks are addressed. The organization implemented a collection log to track the date of receipt and deposit in May 2019.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Sincerely,

Postlethwaite & Netterville

April 23, 2020