

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES

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

Year Ended December 31, 2020

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES

Year Ended December 31, 2020

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PACIERA, GAUTREAU & PRIEST, LLC

CERTIFIED PUBLIC ACCOUNTANTS

3209 RIDGELAKE DRIVE, SUITE 200

METAIRIE, LA 70002

(504) 486-5573

FAX (504) 486-6091

www.pgpcpa.com

KIRTH M. PACIERA, C.P.A.
TIMOTHY L. PRIEST, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
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SIDNEY T. SPILSBURY, C.P.A.
(1905-1985)
KEITH T. HAMILTON, C.P.A.
(1932-2003)
LEROY P. LEGENDRE, C.P.A.
(Retired)
RENE G. GAUTREAU, C.P.A.
(1958-2019)

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Providence Community Housing and Subsidiaries (a nonprofit Corporation), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Providence Community Housing and Subsidiaries as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Providence Community Housing and Subsidiaries' 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Supplementary Information


Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position and activities and changes in net assets; schedules of financial position - capital fund and activities - capital fund; the schedule of compensation, benefits, and other payments to the CEO, as required by Louisiana Revised Statute 24:513 (A) (3); and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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

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

accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2021 on our consideration of Providence Community Housing and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Providence Community Housing and Subsidiaries' internal control over financial reporting and compliance.



Metairie, Louisiana
June 15, 2021

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(With Summarized Financial Information
at December 31, 2019)

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,178,673	\$ 3,601,994
Accounts receivable, Net	61,870	36,242
Prepaid expenses	<u>48,642</u>	<u>38,650</u>
<i>Total Current Assets</i>	<u>3,289,185</u>	<u>3,676,886</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	3,288,353	3,308,853
Buildings	5,056,901	5,241,401
Office furniture and equipment	<u>231,305</u>	<u>203,206</u>
	8,576,559	8,753,460
Less: Accumulated depreciation	<u>961,782</u>	<u>855,140</u>
<i>Total Property and Equipment</i>	<u>7,614,777</u>	<u>7,898,320</u>
<u>OTHER ASSETS</u>		
Cash restricted	295,342	554,072
Properties held for sale	314,515	314,515
Due from affiliates, Net	98	1,778
Deposits	2,823	9,444
Developer fee receivable - Affiliates	2,991,536	1,556,275
Notes receivable - Other, Net	0	10,000
Notes receivable - Affiliates, Net	7,080,351	6,682,846
Capital lease property, Net	272,835	272,835
Investments in partnerships	1,782,584	1,783,077
Pre-development costs	<u>440,004</u>	<u>283,025</u>
<i>Total Other Assets</i>	<u>13,180,088</u>	<u>11,467,867</u>
<i>Total Assets</i>	<u>\$24,084,050</u>	<u>\$23,043,073</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)
DECEMBER 31, 2020
(With Summarized Financial Information
at December 31, 2019)

	<u>2020</u>	<u>2019</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and other accrued expenses	\$ 208,563	\$ 102,367
Accrued wages and vacation	62,640	33,878
Long-term debt due within one year	<u>56,011</u>	<u>52,756</u>
<i>Total Current Liabilities</i>	<u>327,214</u>	<u>189,001</u>
<u>OTHER LIABILITIES</u>		
Accounts payable - Other	98,993	98,993
Due to related parties	312,934	312,934
Funds held for others	0	54,217
Recoverable grants	79,219	0
Other liabilities	6,641	7,310
Deferred rents/revenue	761,788	772,251
Lease payable	272,835	272,835
Long-term debt, Less current portion	<u>5,560,395</u>	<u>5,840,983</u>
<i>Total Other Liabilities</i>	<u>7,092,805</u>	<u>7,359,523</u>
<i>Total Liabilities</i>	<u>7,420,019</u>	<u>7,548,524</u>
<u>NET ASSETS</u>		
Without donor restrictions:		
Controlling interest	14,700,214	12,340,057
Noncontrolling interest	<u>700,116</u>	<u>755,322</u>
<i>Total Without Donor Restrictions</i>	15,400,330	13,095,379
With donor restrictions	<u>1,263,701</u>	<u>2,399,170</u>
<i>Total Net Assets</i>	<u>16,664,031</u>	<u>15,494,549</u>
<i>Total Liabilities and Net Assets</i>	<u>\$24,084,050</u>	<u>\$23,043,073</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(With Summarized Financial Information at December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUE, SUPPORT, GAINS AND LOSSES				
Individual/business contributions	\$ 33,001	\$ 0	\$ 33,001	\$ 27,100
Grants	1,273,391	0	1,273,391	1,636,648
Interest	640,226	201	640,427	595,664
Rents	271,443	0	271,443	293,119
Miscellaneous	29,070	0	29,070	75,357
Partnership income (loss)	52,325	0	52,325	(326)
Program services	113,481	0	113,481	139,045
Gain (loss) on sale of assets	82,396	0	82,396	0
Developer fees	1,711,345	0	1,711,345	0
Bad debt recoveries	123,035	0	123,035	83,394
Net assets released from restriction	<u>1,135,670</u>	<u>(1,135,670)</u>	<u>0</u>	<u>0</u>
<i>Total Revenue, Support, Gains and Losses</i>	<u>5,465,383</u>	<u>(1,135,469)</u>	<u>4,329,914</u>	<u>2,850,001</u>
EXPENSES				
Program Services:				
Real estate development	1,145,909	0	1,145,909	1,441,830
Home ownership promotion	275,634	0	275,634	211,572
Asset management	814,922	0	814,922	829,888
Community services	<u>296,607</u>	<u>0</u>	<u>296,607</u>	<u>375,322</u>
	<u>2,533,072</u>	<u>0</u>	<u>2,533,072</u>	<u>2,858,612</u>
Supporting Services:				
Management and general	476,693	0	476,693	367,405
Fund raising and communications	<u>141,374</u>	<u>0</u>	<u>141,374</u>	<u>160,700</u>
	<u>618,067</u>	<u>0</u>	<u>618,067</u>	<u>528,105</u>
<i>Total Expenses</i>	<u>3,151,139</u>	<u>0</u>	<u>3,151,139</u>	<u>3,386,717</u>
Change in Net Assets	2,314,244	(1,135,469)	1,178,775	(536,716)
Change in net assets attributed to noncontrolling interest	<u>45,913</u>	<u>0</u>	<u>45,913</u>	<u>(20,667)</u>
Change in Net Assets, Controlling Interest	<u>2,360,157</u>	<u>(1,135,469)</u>	<u>1,224,688</u>	<u>(557,383)</u>
Net Assets, Controlling Interest - Beginning of Year	<u>12,340,057</u>	<u>2,399,170</u>	<u>14,739,227</u>	<u>15,296,610</u>
Net Assets, Controlling Interest - End of Year	<u>\$14,700,214</u>	<u>\$ 1,263,701</u>	<u>\$15,963,915</u>	<u>\$14,739,227</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(With Summarized Financial Information at December 31, 2019)

	Program Services				Supporting Services			2020 Total Program and Supporting Services Expenses	2019 Total Program and Supporting Services Expenses	
	Real Estate Develop- ment	Home Ownership Promotion	Asset Manage- ment	Community Services	Total Program Services	Manage- ment and General	Fund Raising and Communi- cations			Total Support Services
Accounting services	\$ 450	\$ 0	\$ 0	475	\$ 925	\$ 26,350	\$ 0	\$ 26,350	\$ 27,275	\$ 32,400
Bad debt expense	449,607	0	154,897	0	604,504	0	0	0	604,504	1,173,322
Carrying costs on properties held for sale	19,934	0	60	0	19,994	0	0	0	19,994	21,505
Community center activities	3,042	0	0	79,990	83,032	0	0	0	83,032	149,506
Conferences and meetings	136	436	382	618	1,572	913	2,268	3,181	4,753	16,976
Consulting	0	0	30,556	41,000	71,556	2,000	16,675	18,675	90,231	172,757
Contributions	0	0	0	25,000	25,000	678	0	678	25,678	16,015
Depreciation	5,575	0	126,182	0	131,757	6,460	0	6,460	138,217	135,216
Direct assistance	30,162	61,695	0	0	91,857	0	0	0	91,857	642
Dues and subscriptions	30	30	167	81	308	2,981	473	3,454	3,762	6,213
Employee benefits	25,478	20,384	15,441	3,503	64,806	47,379	7,309	54,688	119,494	93,954
Equipment rental	0	0	0	2,164	2,164	485	0	485	2,649	838
Insurance	20,225	0	46,815	6,474	73,514	14,598	0	14,598	88,112	66,744
Interest expense	126,083	0	140,741	0	266,824	95	0	95	266,919	182,079
IT Support	8,049	4,499	3,730	6,888	23,166	6,345	2,209	8,554	31,720	33,370
Legal	0	0	1,843	0	1,843	4,494	0	4,494	6,337	3,267
Management fees	0	0	15,507	14,400	29,907	0	0	0	29,907	36,750
Marketing	0	0	0	0	0	2,149	11,587	13,736	13,736	18,207
Meals and entertainment	382	135	67	128	712	2,590	310	2,900	3,612	11,047
Miscellaneous	7,428	0	4,237	456	12,121	25,749	0	25,749	37,870	14,541
Office and supplies	55	438	22,035	30,512	53,040	23,671	5,095	28,766	81,806	54,223
Payroll taxes	21,376	11,919	9,884	2,989	46,168	24,077	5,853	29,930	76,098	64,468
Postage and shipping	0	27	127	0	154	564	0	564	718	2,403
Pre-Development expenses	3,118	0	0	0	3,118	0	0	0	3,118	20,997
Printing and publications	0	0	0	0	0	1,209	0	1,209	1,209	493
Professional fees	0	0	7,100	0	7,100	0	0	0	7,100	0
Rent	17,952	7,480	12,677	1,444	39,553	44,660	7,274	51,934	91,487	88,041
Repairs	48	0	76,895	1,356	78,299	0	0	0	78,299	74,522
Salaries	297,203	166,107	137,715	41,655	642,680	234,288	81,574	315,862	958,542	803,545
Telephone	1,581	1,501	1,051	7,158	11,291	3,313	301	4,219	15,510	18,032
Travel	2,153	983	721	356	4,213	1,040	446	1,486	5,699	15,793
Utilities	0	0	6,092	29,960	36,052	0	0	0	36,052	58,851
Valuation Adjustment- Developer fees	105,842	0	0	0	105,842	0	0	0	105,842	0
Total Expenses	\$1,145,909	\$275,634	\$814,922	\$296,607	\$2,533,072	\$476,693	\$141,374	\$618,067	\$3,151,139	\$3,386,717

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2020
(With Summarized Financial Information
at December 31, 2019)

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$1,178,775	\$ (536,716)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for bad debt	604,504	1,173,322
Bad debt (recoveries)	(123,035)	(8,929)
Depreciation	138,217	135,216
Forgiveness of debt	(206,001)	(198,857)
Noncash contribution	0	5,640
Partnership loss	493	311
(Gain) on sale of properties held for sale	(82,396)	0
Changes in operating assets and liabilities:		
(Increase) in accounts receivable, grants receivable, and prepaid expenses	(42,663)	(17,304)
(Increase) decrease in developer fee receivable - affiliates	(1,435,261)	428,642
Increase (decrease) in accounts payable and accrued expenses	134,958	(36,837)
(Decrease) in deferred rents	<u>(10,463)</u>	<u>(5,685)</u>
 Net Cash Provided by Operating Activities	 <u>157,128</u>	 <u>938,803</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Advances to affiliates	(25,501)	(20,128)
Payments from affiliates	1,680	8,433
Proceeds from sale of property	453,600	0
Purchases of construction in progress	(182,657)	(67,354)
Advances on notes receivable	(1,077,998)	(1,960,905)
Payments on notes receivable	241,568	218,142
Reimbursements (Additions to) pre-development costs	(156,979)	209,497
Additions to property and equipment	(43,221)	0
Deposits returned	6,621	0
Capital Contributions	<u>0</u>	<u>18,941</u>
 Net Cash (Used for) Investing Activities	 <u>(782,887)</u>	 <u>(1,593,374)</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)
Year Ended December 31, 2020
(With Summarized Financial Information
at December 31, 2019)

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Accrued interest on long-term debt	\$ 111,835	\$ 111,530
Payments on long-term debt	(183,167)	(49,845)
Payments of funds held for others	(54,217)	0
Receipt of funds held for others	0	54,217
Advances from related party	0	140,290
Refund of security deposits	(669)	(800)
Advances on recoverable grant	79,219	0
Distributions	<u>(9,293)</u>	<u>(261,990)</u>
Net Cash (Used for) Financing Activities	<u>(56,292)</u>	<u>(6,598)</u>
Net (Decrease) in Cash, Cash Equivalents and Restricted Cash	(682,051)	(661,169)
Cash, Cash Equivalents and Restricted Cash -		
Beginning of Year	<u>4,156,066</u>	<u>4,817,235</u>
End of Year	<u>\$3,474,015</u>	<u>\$4,156,066</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid during the year for -		
Interest - Net of capitalized amounts	\$ <u>29,001</u>	\$ <u>35,540</u>
Income taxes	\$ <u>0</u>	\$ <u>0</u>
<u>Non-cash Investing and Financing Activities</u>		
Transfer of property and equipment to construction in progress	\$ <u>188,547</u>	\$ <u>0</u>
Transfer of construction in progress to properties held for sale	\$ <u>371,204</u>	\$ <u>0</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

A. Summary of Significant Accounting Policies

Corporation

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

Program and Supporting Services

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

Program Services:

Real Estate Development - This program includes all costs, excluding capital expenses, associated with acquiring, developing and preserving affordable real estate for individuals, seniors, and families, including both rental units and homes for sale. There are approximately 531 units in the concept/pre-development planning stage, none are currently under construction, and 59 are in stabilization/lease-up.

Home Ownership Promotion - This program consists of costs associated with promoting home ownership including the marketing and sale of newly developed properties, managing a buyer pipeline through a buyer pool development program, and acting as a contract administrator for other agencies by providing professional services regarding their lending programs. This program created 11 new homeowners through program administration for other agencies and 2 through direct home sales.

Asset Management - This program consists of expenses related to overseeing the management of operating rental properties including individual, multi-family and senior housing as both a direct owner and general partner. There are 1,242 units currently in service.

Community Services - This program encompasses activities focused on improving quality of life through linkage and referral resident service coordination connected to economic opportunities, health & wellness services, and youth and senior focused activities for individuals and families residing within the Faubourg Lafitte footprint, at Sacred Heart at St. Bernard, and at St. Bakhita in

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2020

Summary of Significant Accounting Policies (Cont'd)

Program and Supporting Services (Cont'd)

Marrero, Louisiana. This program also includes the operation of Sojourner Truth Neighborhood Center with Enterprise Community Partners. In 2020, the Corporation's efforts centered on providing supportive services in response to COVID-19 restrictions. The Corporation partnered with additional third-party providers for service expansion. Program staff coordinated multiple food distributions for over 100 residents, provided food vouchers from local grocers, and ensured that masks were distributed to all properties, while they regularly served the ongoing needs of residents. Even through mandated stay-at-home orders, resident service coordinators were able to assist our residents. There were 98 seniors and 44 children who received direct support services. There were 18 individuals who received employment assistance and 381 individuals received case management services. As additional support for Lafitte residents, the Corporation donated \$25,000 to Kingsley House to operate an emergency assistance fund.

Supporting Services:

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

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

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2020

Summary of Significant Accounting Policies (Cont'd)

Basis of Accounting and Presentation

The consolidated financial statements include the accounts of Providence Community Housing and its subsidiaries. The subsidiaries are: Providence Annunciation Inn Apartments, LLC; Providence Nazareth Inn I, LLC; Providence Nazareth Inn Apartments II, LLC; Providence Delille Inn Apartments, LLC; Providence St. John Berchman's Apartments, LLC; Providence St. Bakhita Apartments, LLC; Lafitte Redevelopment, LLC; Providence Enterprise Orleans, LLC; Providence Building 12, LLC; Providence-Builders of Hope, LLC; Providence Lafitte Treme-Oak Place, LLC; PCH Sacred Heart at St. Bernard, LLC; Providence Columbia Sacred Heart, LLC; Onzaga Development Partners, LLC; St Ann 2017 MM, LLC; and Lafitte Block 6 Homeownership, LLC. These consolidated financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities. All significant inter-company balances have been eliminated in the consolidation.

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

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

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

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

Cost Allocation

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Corporation. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include Salaries, IT Support and Rent. Salaries and IT Support are

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Summary of Significant Accounting Policies (Cont'd)

Cost Allocation (Cont'd)

allocated based on time and where efforts are spent and Rent is allocated on square footage basis. All other expenses are directly attributable to a program or supporting service.

Limited Liability Companies

The Corporation owns .01% of Annunciation Inn Apartments, LLC; Delille Inn Apartment, LLC; Nazareth Inn I, LLC; Nazareth Inn II Apartments, LLC; St. John Berchman's Apartments, LLC; Building 12, LLC; St. Bakhita Apartments, LLC; Lafitte Tremé-Oak Place, LLC; and St. Ann 2017 MM, LLC; and is the managing member in these limited liability companies, which have investments in rental real estate.

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

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

The Corporation owns 100% of PCH Lafitte, LLC (previously Providence Lafitte Redevelopment, LLC); which owns 50% of Lafitte 2017 Manager, LLC; which owns 99% and is the managing member of Lafitte 2017, LLC. The other member owning 1% of Lafitte 2017, LLC is the President and CEO of the Corporation. PCH Lafitte, LLC also owns 50% of Lafitte Block 6 Homeownership, LLC and 30% of PELM Market, LLC (PELM). PELM has a negative basis; therefore, under the equity method of accounting it is recorded as zero in the accompanying statement of financial position.

Noncontrolling Interest

The Corporation has a controlling interest in five partnerships, Providence Enterprise Orleans, LLC; Lafitte Redevelopment, LLC; Providence-Builders of Hope, LLC; Providence Columbia Sacred Heart, LLC; Onzaga Development Partners, LLC; and Lafitte Block 6 Homeownership, LLC.

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Summary of Significant Accounting Policies (Cont'd)

Noncontrolling Interest (Cont'd)

The other member in Providence Enterprise Orleans, LLC; Lafitte Redevelopment, LLC; and Lafitte Block 6 Homeownership, LLC is Enterprise New Orleans NT, LLC and in Providence-Builders of Hope, LLC, is Builders of Hope, Inc. Their interests in the partnerships' income is shown as noncontrolling interests. The ownership percentages for the corporations are 50%.

The other member in Providence Columbia Sacred Heart, LLC is Columbia Sacred Heart, LLC. The other member in Onzaga Development Partners, LLC is New Affordable Housing Partners, LLC. Their interests in the partnerships' income is shown as noncontrolling interests. The ownership percentage for the noncontrolling interest is 49%. Income is allocated based on various operating agreements.

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2019 from which the summarized information was derived.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Corporation provides for losses on accounts receivable using the allowance method. The allowance is based on experience and knowledge of circumstances that may affect the ability of clients to meet their obligations. Receivables are considered impaired if payments are not received in accordance with the contractual terms. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance for doubtful accounts is \$2,089 at December 31, 2020.

Revenue with and without Donor Restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

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Summary of Significant Accounting Policies (Cont'd)

Notes Receivable - Programmatic Loans

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

Construction in Progress/Pre-development Costs

Construction in progress and pre-development costs consist of properties that will be rehabilitated for rental or home ownership purposes and the costs associated with rehabilitation.

Capital Lease Property and Lease Payable

Capital lease property includes infrastructure construction related to the Lafitte redevelopment site. Management determined that the infrastructure will be dedicated to the City of New Orleans at the end of the agreement, and therefore, has no value on the consolidated statement of financial position. Accordingly, improvements are stated at net realizable value with a valuation allowance of \$5,398,499, which represents the infrastructure cost incurred through December 31, 2020. The amounts included in the accompanying consolidated statement of financial position at December 31, 2020 are as follows:

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

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

Property and Equipment

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

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

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

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Summary of Significant Accounting Policies (Cont'd)
Income Taxes

Providence Community Housing qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code of 1954 as amended. The Corporation had no unrelated business income for the year ended December 31, 2020. Providence Annunciation Inn Apartments, LLC; Providence Nazareth Inn I, LLC; Providence Nazareth Inn Apartments II, LLC; Providence Delille Inn Apartments, LLC; Providence St. John Berchman's Apartments, LLC; Providence St. Bahkita Apartments, LLC; Providence Lafitte Treme-Oak Place, LLC; PCH Sacred Heart at St. Bernard, LLC; and St. Ann 2017 MM, LLC have elected to be taxed as corporate entities. Lafitte Redevelopment, LLC; Providence Enterprise Orleans, LLC; Providence Building 12, LLC; Providence-Builders of Hope, LLC; Providence Columbia Sacred Heart, LLC; Onzaga Development Partners, LLC; and Lafitte Block 6 Homeownership, LLC have elected to be treated as partnerships for tax purposes.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained on examination. As of December 31, 2020, management of Providence Community Housing and Subsidiaries believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years December 31, 2016 and later remain subject to examination by the taxing authorities.

Cash, Cash Equivalents, and Restricted Cash

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

The following table provides a reconciliation of cash and restricted cash reported within the balance sheet that sum to the total in the statements of cash flows as of December 31, 2020:

Cash and cash equivalent	\$3,178,673
Cash restricted	<u>295,342</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$3,474,015</u>

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Summary of Significant Accounting Policies (Cont'd)

Use of Estimates

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

Contributed Services

Donated services are recognized as contributions in accordance with U.S. generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. Volunteers also provided services throughout the year, which are not recognized as contributions in the consolidated financial statements since the recognition criteria under U.S. generally accepted accounting principles were not met. The Corporation did not recognize any donated services in 2020.

Donated Property and Equipment

Donation of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Corporation recognized no donated property in 2020.

Properties Held for Sale

Properties held for sale are recorded at cost when acquired or constructed, with allowances made to reflect the lower of cost or market. The properties held for sale consist of various lots (27) located in the City of New Orleans that

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Summary of Significant Accounting Policies (Cont'd)

Properties Held for Sale (Cont'd)

will be used in redevelopment projects. The costs associated with maintaining these properties are included in 'Carrying costs on properties held for sale' on the *Consolidated Statement of Functional Expenses* along with any additional construction costs incurred above the market value.

Promises to Give

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

Management Fees

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

Fair Value Measurements

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

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

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

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

There were no assets or liabilities measured at fair value.

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Summary of Significant Accounting Policies (Cont'd)

Subsequent Events

Subsequent events have been evaluated through June 15, 2021, which is the date the consolidated financial statements were available to be issued.

B. Cash Restricted

Certain amounts of cash are restricted for the following purposes:

Real estate development	\$ 50,000
Capital Magnet Fund	238,701
Tenant security deposits	<u>6,641</u>
	<u>\$295,342</u>

C. Due from Affiliates

The Corporation has provided assistance to affiliated projects. The amounts due from affiliates are non-interest bearing, have no repayment terms, and are payable out of surplus cash (if available). During 2020, advances totaled \$25,501 of which \$25,501 was reserved. Payments from affiliates totaled \$1,680.

The following are the balances receivable from affiliates as of December 31, 2020:

Columbia Sacred Heart, LLC	\$ 49
St. Ann 2017, LLC - Administrative fees (Net of Allowance of \$6,500)	0
Lafitte Treme Oak Place, LLC - Administrative fees (Net of Allowance of \$19,001)	0
New Affordable Housing Partners LLC	<u>49</u>
Due from Affiliates	98
Sacred Heart at St. Bernard, LLC (Included in Accounts Receivable)	<u>33,210</u>
Total	<u>\$33,308</u>

PROVIDENCE COMMUNITY HOUSING
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D. Developer Fee Receivable - Affiliates

	<u>Balance due</u>
The Corporation, through its subsidiary Providence-Builders of Hope, LLC, is owed a developer fee from Lafitte Treme Oak Place, LLC. The developer fee is payable from project surplus cash. During 2020, no payments were received.	\$ 490,926
The Corporation, through its subsidiary, Onzaga Development Partners, LLC, is owed a developer fee from Sacred Heart of St. Bernard, LLC. The developer fee is payable from equity and project surplus cash. During 2020, payments of \$18,518 were received.	585,714
The Corporation, through its subsidiary St. Ann 2017 MM, LLC, is owed a developer fee from St. Ann 2017, LLC. The developer fee is payable from project surplus cash. During 2020, no payments were received.	1,559,691
The Corporation is owed developer fees, payable from surplus cash (if available), from the following projects:	
Delille Inn, LLC	132,045
Nazareth Inn I, LLC	178,615
St. Bakhita Apartments, LLC	<u>44,545</u>
	<u>\$2,991,536</u>

PROVIDENCE COMMUNITY HOUSING
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E. Notes Receivable

Notes receivable includes accrued interest, is net of a valuation allowance, and consists of the following at December 31, 2020:

Notes Receivable - Other:

(a) Other notes receivable	\$ <u>0</u>
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Notes Receivable Affiliates:

(b) Annunciation Inn Apartments, LLC - HOME Fund	\$ 0
(c) Building 12, LLC - Deferred note - Building	270,000
(d) Building 12, LLC - Deferred development	242,494
(e) Delille Inn Apartments, LLC - Deferred development	156,823
(f) Delille Inn Apartments, LLC - HOME Fund	0
(g) Nazareth Inn I, LLC - Deferred development	878,137
(h) Nazareth Inn I, LLC - Deferred operating note	628,878
(i) St. Bakhita Apartments, LLC - Green note	50,000
(j) St. Bakhita Apartments, LLC - Rent note	559,869
(k) St. Bakhita Apartments, LLC - Deferred development	2,141,004
(l) St. John Berchman's Apartments, LLC - HOME Fund	0
(m) St. Ann 2017, LLC	0
(n) Sacred Heart at St. Bernard, LLC	1,178,146
(o) Sacred Heart at St. Bernard, LLC	0
(p) St. Ann 2017, LLC	500,000
(q) Lafitte 2017, LLC	<u>475,000</u>

<i>Total Notes Receivable - Affiliates</i>	<i>\$ <u>7,080,351</u></i>
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(a) As of December 31, 2020 the Corporation has lent \$2,015,734 to homeowners to acquire properties. These notes are recorded at their net realizable value. Cumulative impairment losses recognized on these notes total \$2,015,734.

(b) In May 2009, Annunciation Inn Apartments, LLC signed a promissory note in the amount of \$610,848. The balance of this note is \$581,645 and bears interest at the applicable federal rate of 2.64% at December 31, 2020. This note is due and payable on or before August 1, 2049. The accrued interest due at December 31, 2020 was \$46,670. Cumulative impairment losses recognized on this note total \$628,315.

(c) In December 2008, Building 12, LLC signed a promissory note to pay the Corporation \$270,000. The note accrues interest at 8%. This note is due and payable in one payment in December 2040 and has accrued interest of \$210,600. Cumulative impairment losses recognized on this note total \$210,600.

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Notes Receivable (Cont'd)

(d) In 2010, Building 12, LLC completed development, and per the development agreement agreed to pay the Corporation \$92,447. The Corporation is owed \$92,447 as a deferred development fee which accrues interest at 8%. In 2012, Building 12, LLC completed additional development and earned an additional \$76,509 of deferred development fees. This loan will be paid from cash flow pursuant to the partnership's operating agreement. The accrued interest on this note is \$73,538. During 2020, payments totaled \$25,000.

(e) In May 2008, Delille Inn Apartments, LLC signed a development service agreement to pay the Corporation for developing the project. The deferred development fee is \$65,940 and accrues interest at 8%. This amount is due on or before December 31, 2023. The accrued interest on this note is \$90,883.

(f) In May 2009, Delille Inn Apartments, LLC signed a promissory note in the amount of \$388,826. This note bears interest at the applicable federal rate (2.64% at December 31, 2020). This note is due and payable on or before January 1, 2050. The accrued interest on this note is \$163,314. Cumulative impairment losses recognized on this note total \$552,140.

(g) In May 2009, Nazareth Inn I, LLC signed a development service agreement to pay the Corporation for developing the project. The deferred development fee is \$544,365 and accrues interest at 8%. This amount is due on or before December 31, 2022. The accrued interest on this note is 333,772.

(h) In September 2009, Nazareth Inn I, LLC signed a promissory note to pay the Corporation for plumbing improvements. This note is for \$315,000 and accrues interest at 8%. This amount is due on or before October 1, 2049. The accrued interest on this note is \$313,878.

(i and j) In December 2007, St. Bakhita Apartments, LLC signed two notes to pay the Corporation. The notes are for \$50,000 and \$559,869 and accrue interest at a rate of 8%. These notes are due on or before December 31, 2042. The outstanding balance at December 31, 2020 was \$1,642,324, which includes accrued interest. Cumulative impairment losses recognized on these notes total \$1,032,455.

(k) In 2009, St. Bakhita Apartments, LLC completed development and per the development service agreement, agreed to pay the Corporation \$1,027,383. This note accrues interest at 8%. This amount is due and payable on or before December 31, 2022. The balance on this note as of December 31, 2020 was \$2,141,004 including accrued interest of \$1,173,621.

PROVIDENCE COMMUNITY HOUSING
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Notes Receivable (Cont'd)

(l) In May 2009, St. John Berchman's Apartments, LLC signed a promissory note in the amount of \$1,284,626. This note bears interest at the applicable federal rate (2.64% at December 31, 2020). This note is due and payable on or before February 1, 2050. The balance on this note as of December 31, 2020 was \$923,465 and accrued interest on this note is \$3,337. During 2020, payments totaled \$75,000 and is included in bad debt recovery. Cumulative impairment losses recognized on this note total \$926,802.

(m) In 2019, St. Ann 2017, LLC signed a surplus cash promissory note in the amount of \$875,000. This note bears no interest. The balance of the note is payable annually commencing on January 1, 2020 and thereafter until the entire indebtedness has been paid. The note is payable out of surplus cash with all unpaid amounts due on May 1, 2060. The impairment losses recognized on this note total \$875,000.

(n) In December of 2016, Sacred Heart at St. Bernard, LLC signed a promissory note in the amount of \$1,017,055. This note bears interest at 4.16% per year. The principal balance of this note and all accrued, but unpaid interest shall be paid annually for a period of thirty-six years beginning on October 1, 2018, solely from the available cash flow under the operating agreement, and the principal balance and all accrued, but unpaid interest shall be due and payable on October 1, 2054. The balance on this note as of December 31, 2020 was \$1,017,055. Accrued interest on this note is \$161,091.

(o) During 2017, Sacred Heart at St. Bernard, LLC signed a promissory note in the amount of \$1,145,621. This note was subsequently increased to \$1,552,022 and bears interest at 5% per year. The principal balance of this note and all accrued, but unpaid interest shall be paid annually for a period of thirty-six years beginning on October 1, 2018, solely from the available cash flow under the operating agreement, and the principal balance and all accrued, but unpaid interest shall be due and payable on October 1, 2054. The balance on this note as of December 31, 2020 was \$1,793,073 including accrued interest of \$241,051. Cumulative impairment losses recognized on this note total \$1,793,073.

(p) During 2018, St. Ann 2017, LLC signed a promissory note with the Corporation totaling \$1,998,409. The note bears interest at 7.5% and is due May 1, 2060. A total of \$500,000 was advanced under this agreement. The balance on this note as of December 31, 2020 was \$500,000. Accrued interest on this note is \$37,500. Impairment losses recognized on this note in 2020 total \$37,500.

(q) During 2019, Lafitte 2017, LLC signed a promissory note with the Corporation totaling \$475,000. During 2020 it was amended to \$225,000 maturing August 31, 2021 with the remaining \$250,000 due April 30, 2021. The balance as of December 31, 2020 of \$475,000. The \$250,000 was paid prior to April 30, 2021.

PROVIDENCE COMMUNITY HOUSING
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F. Long-Term Debt

	<u>Mortgage</u>	<u>Forgivable Loan</u>	<u>Surplus Cash</u>
(a) Iberia Bank	\$394,959	\$ 0	\$ 0
(b) Louisiana Housing Corporation	0	0	4,476,818
(c) State of Louisiana	0	708,809	0
(d) New Orleans Redevelopment Authority	<u>35,820</u>	<u>0</u>	<u>0</u>
Total	<u>\$430,779</u>	<u>\$708,809</u>	<u>\$4,476,818</u>

(a) In August 2013, the Corporation entered into an agreement with Iberia Bank in the amount of \$850,000. This loan bears interest at a rate of 5.75% and is payable in 180 monthly payments of \$7,097 ending August 28, 2028. This loan is collateralized by real estate with a carrying value of \$2,053,741.

(b) In December 2007, the Corporation assumed a loan from UJAMAA Community Development Corporation and entered into an agreement with the Louisiana Housing Corporation for \$3,032,669. This amount includes a principal balance of \$2,750,047. Total accrued interest on this loan is \$1,726,771. This loan bears interest at a rate of 4% and is payable from surplus cash generated by property owned by the Corporation with the first payment from excess cash flow from Building 12, LLC with all unpaid principal and interest due April 2038. This loan is collateralized by real estate with a carrying value of \$2,732,669.

(c) Beginning in 2011, the Corporation entered into forgivable debt agreements with the State of Louisiana. The agreements are non-interest bearing. The debt is forgivable at 10% per year once the property meets the State of Louisiana's affordability criteria. During 2020, \$206,001 of this debt was forgiven.

(d) In 2009, the Corporation entered into agreements with the New Orleans Redevelopment Authority for \$226,800. \$172,800 was to be repaid upon the sale of properties and \$54,000 is due October 16, 2024. The notes are non-interest bearing and the balance of these loans as of December 31, 2020 was \$35,820.

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

2021	\$ 56,011
2022	59,365
2023	62,919
2024	66,631
2025	70,677
Thereafter	<u>5,300,803</u>
	<u>\$5,616,406</u>

G. Deferred Rents

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

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H. Net Assets

The following are the changes in net assets:

	<u>Net Assets Without Donor Restrictions</u>			<u>Net Asset With</u>	<u>Total</u>
	<u>Controlling</u>	<u>Noncontrolling</u>	<u>Total</u>	<u>Donor Restrictions</u>	<u>Net Assets</u>
Beginning of year	\$12,340,057	\$755,322	\$13,095,379	\$2,399,170	\$15,494,549
Contributed Capital	0	0	0	0	0
Distributions	0	(9,293)	(9,293)	0	(9,293)
Change in Net Assets	<u>2,360,157</u>	<u>(45,913)</u>	<u>2,314,244</u>	<u>(1,135,469)</u>	<u>1,178,775</u>
End of year	<u>\$14,700,214</u>	<u>\$700,116</u>	<u>\$15,400,330</u>	<u>\$1,263,701</u>	<u>\$16,664,031</u>

I. Restrictions on Net Assets

Net assets with donor restrictions are available for the following purposes at December 31, 2020:

Subject to expenditure for specified purposes:

Real Estate Development:	
Capital Magnet Fund	\$1,213,701
Capital One grant	<u>50,000</u>
	<u>\$1,263,701</u>

The following net assets with donor restrictions were released from restrictions during 2020:

Real estate development - Capital Magnet Fund	\$ 15,542
NeighborWorks America	1,111,500
Lafitte youth services	<u>8,628</u>
	<u>\$1,135,670</u>

J. NeighborWorks America Grants

The following grants were in effect during the year ended 2020 from NeighborWorks America:

Support Without Donor Restrictions

NeighborWorks America provides expendable grants to support program activities. During the year, \$616,832 was expended for this purpose. During 2020 NeighborWorks America released \$1,111,500 of previously donor restricted funding.

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NeighborWorks America Grants (Cont'd)

Support With Donor Restrictions

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

K. Leasing Arrangements

The Corporation leases commercial space from St. Ann 2017, LLC, an affiliated entity. The lease term is 15 years at \$2,822 per month with an annual increase of 2%. Rent expense for the year was \$86,329 of which \$5,644 was related to this lease.

The following is a schedule of lease payments due over the next 5 year:

2021	\$33,977
2022	34,656
2023	35,350
2024	36,057
2025	36,777

L. Related Party Transactions

See A for limited liability companies, Note C for due from affiliates, Note D for developer fee receivables from affiliates, Note E for related party notes receivable, Note K for leasing arrangements, and Note Q for related party guarantees.

The Corporation owes its partner in Providence Columbia Sacred Heart \$312,934 which is included in Due from Related Parties.

M. Accounts Payable - Other

Accounts Payable - Other consist of \$98,993 of developer fees owed to an unrelated entity. The Corporation is owed developer fees on this project totaling \$132,045 and a developer fee note totaling \$65,940 which are payable out of surplus cash, if available.

N. Concentrations

Included in revenue are developer fees totaling \$1,647,931 from the St. Ann 2017, a related party. These fees are approximately 38% of the total revenue, support, gains and losses for the year.

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Concentrations (Cont'd)

The Corporation may be subject to credit risk to its cash and cash equivalent investments, which are placed with high credit-quality financial institutions. From time to time, the Corporation may have amounts on deposit in excess of the FDIC \$250,000 limit. Management believes the Corporation is not exposed to any significant credit risk on cash, cash equivalents and restricted cash. As of December 31, 2020, the Corporation has approximately \$2,865,281 in cash and cash equivalents in excess of the FDIC \$250,000 limit. The Corporation has not experienced any losses on its cash and cash equivalents.

O. Programmatic Investments in Partnerships

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

Managing Members:

Lafitte Treme - Oak Place, LLC	\$720,814
Nazareth Inn I, LLC	414,021
Other partnerships	(2,176)
St. Ann 2017, LLC	<u>649,925</u>
	<u>\$1,782,584</u>

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

	<u>St. Ann 2017, LLC</u>	<u>Lafitte Treme Oak Place, LLC</u>	<u>Nazareth Inn I, LLC</u>
Total Assets	<u>\$15,826,592</u>	<u>\$10,664,593</u>	<u>\$12,910,246</u>
Total Liabilities	<u>\$ 7,340,121</u>	<u>\$ 2,596,445</u>	<u>\$ 9,810,585</u>
Total Change in Net Assets	<u>\$ (754,665)</u>	<u>\$ (370,516)</u>	<u>\$ (396,071)</u>

P. Liquidity and Availability of Financial Assets

The following reflects the Corporation's financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date.

Financial Assets	\$15,390,454
Less: Amounts unavailable for general expenditures within one year	<u>12,149,911</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,240,543</u>

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2020

Liquidity and Availability of Financial Assets (Cont'd)

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

Q. Commitments, Contingencies, and Guarantees

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

The Corporation has operating deficit guarantees for the various projects that they are the managing member. No amounts were required for the year ended December 31, 2020.

The Corporation and another related corporation guaranteed a loan from the Louisiana Housing Corporation to Sacred Heart at St. Bernard, LLC, a related party, of \$400,000. At December 31, 2020, \$400,000 was outstanding.

In 2016, the Corporation guaranteed a loan from the Louisiana Housing Corporation for the Artspace Bell School Project of \$3,711,649. At December 31, 2020, \$3,697,952 was outstanding.

In 2018, the Corporation guaranteed various loans related to the construction financing for St. Ann 2017. At December 31, 2020, \$698,409 was outstanding.

During 2019, the Corporation and another related corporation guaranteed a predevelopment line of credit for the Lafitte 2017 project of \$475,000. As of December 31, 2020, \$475,000 was outstanding.

R. Recently Adopted Accounting Pronouncements

In August, 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (topic 820) disclosure framework - Changes to the disclosure requirements for fair value measurement*. The Corporation adopted ASU 2018-13 effective year ended December 31, 2020 and applied it retrospectively. The adoption of the new standard did not have a material impact on the consolidated financial statements.

In April, 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, And Topic 825, Financial Instruments*. The Corporation adopted ASU 2019-04 effective year ended December 31, 2020 and applied it retrospectively. The adoption of the new standard did not have a material impact on the consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2020

S. Risks and Uncertainties

During March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. As a result of the pandemic, economic uncertainties have arisen that could impact the Corporation's operational and financial performance. The potential impact has not been recognized in these financial statements.

T. Recoverable Grant

The Corporation was awarded a recoverable grant totaling \$100,000 for Lafitte Block 6 Homeownership, LLC. The grant period ends August 31, 2021. At December 31, 2020 the Corporation has received \$79,219 of this grant.

U. Subsequent Events

In March of 2021, the Corporation received a conditional contribution as a forgivable loan under the Small Business Administration Paycheck Protection Program totaling \$203,955. The Corporation intends to use all of the proceeds for qualifying expenses and thus expects to receive approval of its application for the loan to be forgiven in the future, at which time the Corporation will recognize a gain on forgiveness of the loan.

V. Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

SUPPLEMENTARY INFORMATION

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2020

	<u>PCH Sacred Heart at St. Bernard, LLC and Subsidiary</u>					
	<u>PCH Sacred Heart at St. Bernard, LLC</u>	<u>Providence Columbia Sacred Heart, LLC</u>	<u>Elim- inations</u>	<u>TOTAL</u>	<u>Providence Community Housing</u>	<u>General Partners Total *</u>
<u>ASSETS</u>						
<u>Current Assets</u>						
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,051,870	\$ 0
Accounts receivable (Net)	0	33,210	0	33,210	13,869	0
Prepaid expenses	0	0	0	0	40,519	0
<i>Total Current Assets</i>	<u>0</u>	<u>33,210</u>	<u>0</u>	<u>33,210</u>	<u>3,106,258</u>	<u>0</u>
<u>Property and Equipment</u>						
Land	0	0	0	0	3,288,353	0
Buildings	0	0	0	0	5,001,151	0
Office furniture and equipment	0	0	0	0	231,305	0
Less: Accumulated depreciation	0	0	0	0	8,520,809	0
<i>Total Property and Equipment</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,572,994</u>	<u>0</u>
<u>Other Assets</u>						
Cash restricted	0	0	0	0	295,342	0
Properties held for sale	0	0	0	0	314,515	0
Due from affiliates	51	100	(51)	100	127,992	0
Deposits	0	0	0	0	2,823	0
Developer fee receivable - Affiliates	0	0	0	0	1,914,896	0
Notes receivable - Other (Net)	0	0	0	0	0	0
Notes receivable - Affiliates (Net)	0	1,178,146	0	1,178,146	7,426,326	0
Capital lease property	0	0	0	0	0	0
Investments in partnerships	16,905	819,838	(16,905)	819,838	2,476,065	1,782,695
Pre-development costs	0	0	0	0	123,055	0
<i>Total Other Assets</i>	<u>16,956</u>	<u>1,998,084</u>	<u>(16,956)</u>	<u>1,998,084</u>	<u>12,681,014</u>	<u>1,782,695</u>
<i>Total Assets</i>	<u>\$ 16,956</u>	<u>\$ 2,031,294</u>	<u>\$ (16,956)</u>	<u>\$ 2,031,294</u>	<u>\$ 23,360,266</u>	<u>\$ 1,782,695</u>

* General partners represents the activities of the following:

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

Lafitte Redevelop- ment, LLC	Providence Enterprise Orleans, LLC	Providence Builders of Hope, LLC	Onzaga Development Partners, LLC	Lafitte Block 6 Homeownership, LLC	Total	Eliminations	Consolidated Total
\$ 16,672	\$ 110,131	\$ 0	\$ 0	\$ 0	\$ 3,178,673	\$ 0	\$ 3,178,673
14,791	0	0	0	0	61,870	0	61,870
4,723	3,400	0	0	0	48,642	0	48,642
36,186	113,531	0	0	0	3,289,185	0	3,289,185
0	0	0	0	0	3,288,353	0	3,288,353
55,750	0	0	0	0	5,056,901	0	5,056,901
0	0	0	0	0	231,305	0	231,305
55,750	0	0	0	0	8,576,559	0	8,576,559
13,967	0	0	0	0	961,782	0	961,782
41,783	0	0	0	0	7,614,777	0	7,614,777
0	0	0	0	0	295,342	0	295,342
0	0	0	0	0	314,515	0	314,515
0	0	0	100	0	128,192	(128,094)	98
0	0	0	0	0	2,823	0	2,823
0	0	490,926	585,714	0	2,991,536	0	2,991,536
0	0	0	0	0	0	0	0
0	0	0	0	0	8,604,472	(1,524,121)	7,080,351
272,835	0	0	0	0	272,835	0	272,835
0	0	0	0	0	5,078,598	(3,296,014)	1,782,584
237,730	0	0	0	79,219	440,004	0	440,004
510,565	0	490,926	585,814	79,219	18,128,317	(4,948,229)	13,180,088
\$ 588,534	\$ 113,531	\$ 490,926	\$ 585,814	\$ 79,219	\$ 29,032,279	\$ (4,948,229)	\$ 24,084,050

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
(Continued)
DECEMBER 31, 2020

<u>PCH Sacred Heart at St. Bernard, LLC and Subsidiary</u>						
	<u>PCH Sacred Heart at St. Bernard, LLC</u>	<u>Providence Columbia Sacred Heart, LLC</u>	<u>Elim- inations</u>	<u>TOTAL</u>	<u>Providence Community Housing</u>	<u>General Partners Total *</u>
<u>LIABILITIES AND NET ASSETS</u>						
<u>Current Liabilities</u>						
Accounts Payable and other accrued expenses	\$ 0	\$ 161,091	\$ 0	\$ 161,091	\$ 31,837	\$ 0
Accrued wages and vacation	0	0	0	0	62,640	0
Long-term debt due within one year	0	0	0	0	56,011	0
Total Current Liabilities	0	161,091	0	161,091	150,488	0
<u>Other Liabilities</u>						
Accounts payable - Other	0	0	0	0	98,993	0
Due to related parties	51	1,837,055	(51)	1,837,055	102	1,135,662
Recoverable grants	0	0	0	0	0	0
Other liabilities	0	0	0	0	6,641	0
Deferred rents	0	0	0	0	761,788	0
Lease payable	0	0	0	0	0	0
Long-term debt, less current portion	0	0	0	0	5,560,395	0
Total Other Liabilities	51	1,837,055	(51)	1,837,055	6,427,919	1,135,662
Total Liabilities	51	1,998,146	(51)	1,998,146	6,578,407	1,135,662
<u>Net Assets</u>						
Without donor restrictions:						
Controlling interest	16,905	16,905	(16,905)	16,905	15,518,158	647,033
Noncontrolling interest	0	16,243	0	16,243	0	0
Total without donor restrictions	16,905	33,148	(16,905)	33,148	15,518,158	647,033
With donor restrictions	0	0	0	0	1,263,701	0
Total Net Assets	16,905	33,148	(16,905)	33,148	16,781,859	647,033
Total Liabilities and Net Assets	\$ 16,956	\$ 2,031,294	\$ (16,956)	\$ 2,031,294	\$ 23,360,266	\$ 1,782,695

* General partners represents the activities of the following:

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

Lafitte Redevelop- ment, LLC	Providence Enterprise Orleans, LLC	Providence Builders of Hope, LLC	Onzaga Development Partners, LLC	Lafitte Block 6 Homeownership, LLC	Total	Eliminations	Consolidated Total
\$ 0	\$ 15,635	\$ 0	\$ 0	\$ 0	\$ 208,563	\$ 0	\$ 208,563
0	0	0	0	0	62,640	0	62,640
0	0	0	0	0	56,011	0	56,011
0	15,635	0	0	0	327,214	0	327,214
0	0	0	0	0	98,993	0	98,993
4,791	123,201	0	0	0	3,100,811	(2,787,877)	312,934
0	0	0	0	79,219	79,219	0	79,219
0	0	0	0	0	6,641	0	6,641
0	0	0	0	0	761,788	0	761,788
272,835	0	0	0	0	272,835	0	272,835
0	0	0	0	0	5,560,395	0	5,560,395
277,626	123,201	0	0	79,219	9,880,682	(2,787,877)	7,092,805
277,626	138,836	0	0	79,219	10,207,896	(2,787,877)	7,420,019
155,454	(15,352)	245,461	292,907	0	16,860,566	(2,160,352)	14,700,214
155,454	(9,953)	245,465	292,907	0	700,116	0	700,116
310,908	(25,305)	490,926	585,814	0	17,560,682	(2,160,352)	15,400,330
0	0	0	0	0	1,263,701	0	1,263,701
310,908	(25,305)	490,926	585,814	0	18,824,383	(2,160,352)	16,664,031
\$ 588,534	\$ 113,531	\$ 490,926	\$ 585,814	\$ 79,219	\$ 29,032,279	\$ (4,948,229)	\$ 24,084,050

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020

	<u>PCH Sacred Heart at St. Bernard, LLC and Subsidiary</u>					
	PCH Sacred Heart at St. Bernard, LLC	Providence Columbia Sacred Heart, LLC	Eliminations	Total	Providence Community Housing	General Partners Total *
<u>REVENUE, SUPPORT, GAINS AND LOSSES</u>						
Individual/business contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,001	\$ 0
Grants	0	0	0	0	1,196,391	0
Interest	0	47,053	0	47,053	625,983	0
Rents	0	0	0	0	236,077	0
Miscellaneous	0	0	0	0	29,070	0
Partnership income (loss)	8,532	(120)	(8,532)	(120)	6,897	(373)
Program services	0	16,850	0	16,850	45,901	0
Gain on sale of assets	0	0	0	0	82,396	0
Developer fees	0	0	0	0	1,711,345	0
Bad debt recoveries	0	0	0	0	123,035	0
<i>Total Revenue, Support, Gains and Losses</i>	8,532	63,783	(8,532)	63,783	4,069,796	(373)
<u>EXPENSES</u>						
Program Services:						
Real estate development	0	47,053	0	47,053	929,310	0
Home ownership promotion	0	0	0	0	275,634	0
Asset management	0	0	0	0	814,922	0
Community services	0	0	0	0	128,113	0
	0	47,053	0	47,053	2,147,979	0
Support Services:						
Management and general	0	0	0	0	476,693	0
Fund raising and communications	0	0	0	0	141,374	0
	0	0	0	0	618,067	0
<i>Total Expenses</i>	0	47,053	0	47,053	2,766,046	0
Change in Net Assets	8,532	16,730	(8,532)	16,730	1,303,750	(373)
Less: Change in net assets attributed to Noncontrolling interest	0	(8,198)	0	(8,198)	0	0
Change in Net Assets, Controlling interest	8,532	8,532	(8,532)	8,532	1,303,750	(373)
Net Assets						
Controlling interest - Beginning of Year	8,373	8,373	(8,373)	8,373	15,478,109	647,406
Contributions	0	0	0	0	0	0
Distributions	0	0	0	0	0	0
Net Assets						
Controlling interest - End of Year	\$ 16,905	\$ 16,905	\$ (16,905)	\$ 16,905	\$ 16,781,859	\$ 647,033

* General partners represents the activities of the following:

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

Lafitte Redevelopment, LLC	Providence Enterprise Orleans, LLC	Providence Builders of Hope, LLC	Onzaga Development Partners, LLC	Lafitte Block 6 Homeownership, LLC	Total	Eliminations	Consolidated Total
\$ 0	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 33,001	\$ 0	\$ 33,001
0	77,300	0	0	0	1,273,391	0	1,273,391
0	0	0	0	0	673,036	(32,609)	640,427
35,366	0	0	0	0	271,443	0	271,443
0	2,000	0	0	0	31,070	(2,000)	29,070
0	0	0	0	0	6,404	45,921	52,325
0	73,830	0	0	0	136,581	(23,100)	113,481
0	0	0	0	0	82,396	0	82,396
0	0	0	0	0	1,711,345	0	1,711,345
0	0	0	0	0	123,035	0	123,035
35,366	173,130	0	0	0	4,341,702	(11,788)	4,329,914
17,283	105,842	0	0	0	1,099,488	46,421	1,145,909
0	0	0	0	0	275,634	0	275,634
0	0	0	0	0	814,922	0	814,922
25,100	168,494	0	0	0	321,707	(25,100)	296,607
42,383	274,336	0	0	0	2,511,751	21,321	2,533,072
0	0	0	0	0	476,693	0	476,693
0	0	0	0	0	141,374	0	141,374
0	0	0	0	0	618,067	0	618,067
42,383	274,336	0	0	0	3,129,818	21,321	3,151,139
(7,017)	(101,206)	0	0	0	1,211,884	(33,109)	1,178,775
3,508	50,603	0	0	0	45,913	0	45,913
(3,509)	(50,603)	0	0	0	1,257,797	(33,109)	1,224,688
158,963	35,251	245,461	302,202	0	16,875,765	(2,136,538)	14,739,227
0	0	0	0	0	0	0	0
0	0	0	(9,295)	0	(9,295)	9,295	0
\$ 155,454	\$ (15,352)	\$ 245,461	\$ 292,907	\$ 0	\$ 18,124,267	\$ (2,160,352)	\$ 15,963,915

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NEIGHBORWORKS AMERICA
SCHEDULE OF FINANCIAL POSITION - CAPITAL FUND
DECEMBER 31, 2020

ASSETS

Cash restricted	\$	0
Land and buildings		0
Notes receivable - Real estate		<u>0</u>

TOTAL ASSETS \$ 0

NET ASSETS

With donor restrictions	\$	<u>0</u>
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TOTAL NET ASSETS \$ 0

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NEIGHBORWORKS AMERICA
SCHEDULE OF ACTIVITIES - CAPITAL FUND
YEAR ENDED DECEMBER 31, 2020

REVENUES, GAINS, OTHER SUPPORT AND RELEASE OF CAPITAL:

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

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO THE CHIEF EXECUTIVE OFFICER
FROM PUBLIC FUNDS
YEAR ENDED DECEMBER 31, 2020

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

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

<u>Federal Grantor/Program Title</u> <u>Pass-Through Grantors</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass-through</u> <u>Entity</u> <u>Identifying</u> <u>Number</u>	<u>Passed</u> <u>Through</u> <u>to Sub-</u> <u>recipients</u>	<u>Federal</u> <u>Expend-</u> <u>itures</u>
U.S. Department of Housing and Urban Development:				
Passed through the City of New Orleans:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	CDBG2018-002	\$ <u> 0</u>	\$ <u>251,563</u>
<i>Total CDGB - Entitlement</i> Cluster	14.218		<u> 0</u>	<u>251,563</u>
Passed through the State of Louisiana:				
Community Development Block Grants/State Program and Non-Entitlement Grants in Hawaii (Recovery Act Funded)	14.228	B-06-DG-22-002	<u>61,695</u>	<u>61,695</u>
<i>Total U.S. Department of Housing</i> <i>and Urban Development</i>			<u>61,695</u>	<u>313,258</u>
U.S. Department of Treasury:				
Community Development Financial Institution Fund				
Capital Magnet Fund	21.011	171CM022377		114,904
Passed through NeighborWorks America	21.000		<u> 0</u>	<u>616,832</u>
<i>Total U.S. Department of Treasury</i>			<u> 0</u>	<u>731,736</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$61,695</u>	<u>\$1,044,994</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Providence Community Housing and Subsidiaries under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Providence Community Housing and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Providence Community Housing and Subsidiaries.

B. Summary of Significant Accounting Policies

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

C. Indirect Costs

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

PACIERA, GAUTREAU & PRIEST, LLC

CERTIFIED PUBLIC ACCOUNTANTS

KIRTH M. PACIERA, C.P.A.
TIMOTHY L. PRIEST, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

3209 RIDGELAKE DRIVE, SUITE 200

METAIRIE, LA 70002

(504) 486-5573

FAX (504) 486-6091

www.pgpcpa.com

SIDNEY T. SPILSBURY, C.P.A.
(1905-1985)
KEITH T. HAMILTON, C.P.A.
(1932-2003)
LEROY P. LEGENDRE, C.P.A.
(Retired)
RENE G. GAUTREAU, C.P.A.
(1958-2019)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Providence Community Housing and Subsidiaries (a nonprofit organization) (the "Corporation"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 15, 2021.

Internal Control Over Financial Reporting

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

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

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

is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Metairie, Louisiana
June 15, 2021

PACIERA, GAUTREAU & PRIEST, LLC
CERTIFIED PUBLIC ACCOUNTANTS

PACIERA, GAUTREAU & PRIEST, LLC

CERTIFIED PUBLIC ACCOUNTANTS

KIRTH M. PACIERA, C.P.A.
TIMOTHY L. PRIEST, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

3209 RIDGELAKE DRIVE, SUITE 200

METAIRIE, LA 70002

(504) 486-5573

FAX (504) 486-6091

www.pgpcpa.com

SIDNEY T. SPILSBURY, C.P.A.
(1905-1985)
KEITH T. HAMILTON, C.P.A.
(1932-2003)
LEROY P. LEGENDRE, C.P.A.
(Retired)
RENE G. GAUTREAU, C.P.A.
(1958-2019)

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

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

Report on Compliance for Each Major Federal Program

We have audited Providence Community Housing and Subsidiaries' (a nonprofit organization) (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2020. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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

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

Paciera, Gautreau, & Priest, LLC

Metairie, Louisiana
June 15, 2021

PACIERA, GAUTREAU & PRIEST, LLC
CERTIFIED PUBLIC ACCOUNTANTS

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.000	U.S. Treasury Passed Through NeighborWorks America

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

Auditee qualified as low-risk auditee? Yes No

PROVIDENCE COMMUNITY HOUSING
AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
YEAR ENDED DECEMBER 31, 2020

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.