# GULF COAST HOUSING PARTNERSHIP, INC.

# CONSOLIDATED FINANCIAL STATEMENTS

# DECEMBER 31, 2022

Postlethwaite & Netterville
*A Professional Accounting Corporation*
pncpa.com

**GULF COAST HOUSING PARTNERSHIP, INC.**

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**DECEMBER 31, 2022**

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Postlethwaite & Netterville

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*A Professional Accounting Corporation*

# Independent Auditors' Report

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Gulf Coast Housing Partnership, Inc. (a nonprofit organization) (the Organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2022 and 2021, 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.

### Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planning scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and 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 is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
June 12, 2023

## GULF COAST HOUSING PARTNERSHIP, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

## DECEMBER 31, 2022 AND 2021

### ASSETS

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | $ 5,550,424 | $ 6,007,063 |
| Accounts receivable | 721,945 | 1,594,842 |
| Grants and contributions receivable | 1,249,852 | 3,409,850 |
| Prepaids | 1,064,252 | 784,023 |
| Developer fees receivable | 1,472,164 | 1,293,304 |
| Restricted cash and cash equivalents | 40,222,528 | 43,805,862 |
| Notes receivable | 44,544,967 | 26,982,024 |
| Real estate held for development and sale | 15,126,905 | 10,044,637 |
| Property and equipment, net | 325,071,805 | 255,127,682 |
| Other assets | 3,945,115 | 2,440,210 |
| Investments | 313,726 | 249,154 |
| Total assets | $ 439,283,683 | $ 351,738,651 |

### LIABILITIES AND NET ASSETS

| | 2022 | 2021 |
|---|---|---|
| **LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 2,144,962 | $ 3,403,127 |
| Construction costs payable | 16,756,564 | 13,879,459 |
| Refundable advances | 2,670,000 | 2,094,984 |
| Deferred revenue | 2,316,038 | 1,064,643 |
| Other payables | 5,439,459 | 3,801,073 |
| Due to related parties | 2,939,279 | 2,899,328 |
| Long-term debt, net of debt issuance costs | 212,961,512 | 165,634,436 |
| Total liabilities | 245,227,814 | 192,777,050 |
| **NET ASSETS** | | |
| Without donor restrictions | | |
| GCHP - controlling interest | 68,229,102 | 60,642,327 |
| Noncontrolling interests in subsidiaries | 110,238,414 | 83,950,692 |
| Total net assets without donor restrictions | 178,467,516 | 144,593,019 |
| With donor restrictions | 15,588,353 | 14,368,582 |
| Total net assets | 194,055,869 | 158,961,601 |
| Total liabilities and net assets | $ 439,283,683 | $ 351,738,651 |

**GULF COAST HOUSING PARTNERSHIP, INC.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **REVENUES AND SUPPORT** | | | | | | |
| Property operations rental income | $ 11,716,305 | $ - | $ 11,716,305 | $ 10,034,181 | $ - | $ 10,034,181 |
| Grants and contributions | 1,969,000 | 750,000 | 2,719,000 | 685,376 | 3,596,066 | 4,281,442 |
| Development fees | 5,648,918 | - | 5,648,918 | 8,152,322 | - | 8,152,322 |
| Federal grants | 2,355,678 | 3,924,984 | 6,280,662 | 343,843 | 1,520,016 | 1,863,859 |
| Forgiveness of debt, net | 745,314 | - | 745,314 | 1,023,289 | - | 1,023,289 |
| Interest income | 594,146 | - | 594,146 | 281,344 | - | 281,344 |
| Management fees | 887,879 | - | 887,879 | 763,008 | - | 763,008 |
| Rental income | 129,740 | - | 129,740 | 110,344 | - | 110,344 |
| Interest income on cash and cash equivalents | 107,076 | - | 107,076 | 9,229 | - | 9,229 |
| Gain (loss) on disposition | 602,951 | - | 602,951 | (279,276) | - | (279,276) |
| Loss on investments in partnerships | (83,720) | - | (83,720) | (110,711) | - | (110,711) |
| Grants and contributions released from restriction | 3,455,213 | (3,455,213) | - | - | - | - |
| Other revenue | 152,682 | - | 152,682 | 626,150 | - | 626,150 |
| Total support and revenue | 28,281,182 | 1,219,771 | 29,500,953 | 21,639,099 | 5,116,082 | 26,755,181 |
| **EXPENSES** | | | | | | |
| Program services | 24,296,860 | - | 24,296,860 | 18,906,283 | - | 18,906,283 |
| Support services | 4,594,140 | - | 4,594,140 | 2,959,810 | - | 2,959,810 |
| Total expenses | 28,891,000 | - | 28,891,000 | 21,866,093 | - | 21,866,093 |
| Change in net assets | (609,818) | 1,219,771 | 609,953 | (226,994) | 5,116,082 | 4,889,088 |
| **NET ASSETS, BEGINNING OF YEAR** | 144,593,019 | 14,368,582 | 158,961,601 | 118,302,815 | 9,252,500 | 127,555,315 |
| Change in net assets | (609,818) | 1,219,771 | 609,953 | (226,994) | 5,116,082 | 4,889,088 |
| Noncontrolling members' net contributions to subsidiaries | 34,484,315 | - | 34,484,315 | 26,517,198 | - | 26,517,198 |
| Change in consolidated net assets | 33,874,497 | 1,219,771 | 35,094,268 | 26,290,204 | 5,116,082 | 31,406,286 |
| **NET ASSETS, END OF YEAR** | $ 178,467,516 | $ 15,588,353 | $ 194,055,869 | $ 144,593,019 | $ 14,368,582 | $ 158,961,601 |

**GULF COAST HOUSING PARTNERSHIP, INC.**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | | | |
|---|---|---|---|---|
| | | Supporting Services | | |
| | Program Services | Management and General | Fundraising | Total Expenses |
| Salaries and benefits | $ 2,520,817 | $ 1,708,957 | $ 184,434 | $ 4,414,208 |
| Depreciation and amortization | 7,151,929 | 36,262 | - | 7,188,191 |
| Property operating expense | 7,249,828 | - | - | 7,249,828 |
| Interest expense | 4,210,581 | - | - | 4,210,581 |
| Administrative | - | 2,439,779 | - | 2,439,779 |
| Property taxes and insurance | 3,163,705 | 224,708 | - | 3,388,413 |
| Total expenses | $ 24,296,860 | $ 4,409,706 | $ 184,434 | $ 28,891,000 |

| | 2021 | | | |
|---|---|---|---|---|
| | | Supporting Services | | |
| | Program Services | Management and General | Fundraising | Total Expenses |
| Salaries and benefits | $ 2,550,844 | $ 1,314,290 | $ 141,847 | $ 4,006,981 |
| Depreciation and amortization | 5,540,440 | 123,811 | - | 5,664,251 |
| Property operating expense | 6,495,187 | - | - | 6,495,187 |
| Interest expense | 2,389,516 | - | - | 2,389,516 |
| Administrative | - | 1,226,484 | - | 1,226,484 |
| Property taxes and insurance | 1,930,296 | 153,378 | - | 2,083,674 |
| Total expenses | $ 18,906,283 | $ 2,817,963 | $ 141,847 | $ 21,866,093 |

**GULF COAST HOUSING PARTNERSHIP, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOW**

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | 2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Changes in net assets: | $ 609,953 | $ 4,889,088 |
| Adjustments to reconcile changes in net assets to net cash Provided by operating activities | | |
| Depreciation | 7,038,838 | 4,798,368 |
| Forgiveness of debt | (745,314) | (1,836,416) |
| Loss (gain) on investments | (64,572) | 77,674 |
| Amortization of deferred fees | 149,353 | 865,883 |
| Noncash interest (amortization of debt issuance costs) | 88,525 | 1,111,480 |
| Loss (gain) on disposition | (602,951) | 279,276 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 872,897 | (69,994) |
| Grants and contributions receivable | 2,159,998 | 1,770,150 |
| Prepaids | (280,229) | 17,228 |
| Developer fees receivable | (178,860) | (546,381) |
| Accounts payable and accrued expenses | (1,258,165) | 1,664,360 |
| Refundable advances | 575,016 | 729,984 |
| Deferred revenue | 1,251,395 | 332,951 |
| Other payables | 1,638,386 | 99,833 |
| Net cash provided by operating activities | 11,254,270 | 14,183,484 |
| Cash flows from investing activities: | | |
| Purchases of real estate, property, and equipment, net of acquired assets | (80,344,562) | (65,365,638) |
| Disbursement of notes receivable | (17,578,418) | (11,295,828) |
| Collection on notes receivable | 15,475 | 431,483 |
| Proceeds on real estate held for investment | 1,759,389 | 5,339,385 |
| Net cash used in investing activities | (96,148,116) | (70,881,598) |
| Cash flows from financing activities: | | |
| Proceeds from notes payable | 71,947,990 | 61,275,358 |
| Payments on notes payable | (23,964,125) | (14,447,917) |
| Payments to (proceeds from) related parties | 39,951 | (95,439) |
| Contributions and transfers from non-controlling interests | 34,484,315 | 26,517,198 |
| Change in other assets, net | (1,654,258) | (669,261) |
| Net cash provided by financing activities | 80,853,873 | 72,579,939 |
| Net change in cash and cash equivalents | (4,039,973) | 15,881,825 |
| Cash and cash equivalents at beginning of year | 49,812,925 | 33,931,100 |
| Cash and cash equivalents at end of year | $ 45,772,952 | $ 49,812,925 |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash paid for interest, net of capitalized interest | $ 2,354,994 | $ 2,645,254 |
| Change in accounts payable related to construction | $ 5,247,612 | $ 7,439,611 |
| Reconciliation to Consolidated Statements of Financial Position: | | |
| Cash and cash equivalents for cash flow statements include: | | |
| Cash and cash equivalents | $ 5,550,424 | $ 6,007,063 |
| Restricted cash and cash equivalents | 40,222,528 | 43,805,862 |
| | $ 45,772,952 | $ 49,812,925 |

## (1) Summary of Significant Accounting Policies

### (a) History and Organization

Gulf Coast Housing Partnership, Inc. 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 particularly in the Gulf South region states of Alabama, Florida, Louisiana, Mississippi, and Texas; 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.

On November 14, 2022, GCHP, through its wholly-owned subsidiary, GCHP-McDonogh 16 GP, LLC, became the controlling member of McDonogh 16, LLC. GCHP recorded a valuation of the fixed assets of McDonogh 16 LLC to approximate the fair value of the building and improvements, based on a recent appraisal of these assets. GCHP also recorded a right of use asset of $800,000, amortization of the right of use asset of $121,010, and goodwill of $816,580 related to the transaction. This amount represents the difference between the net fair value of the assets and liabilities, as adjusted, and the consideration given in the transaction. In addition, GCHP was assigned the rights to the Development Agreement and related developer fee by the former controlling member. GCHP has included the operations of McDonogh 16, LLC in its consolidated statements of activities and functional expenses from the date of change in control.

These financial statements have been consolidated to include all accounts of Gulf Coast Housing Partnership, Inc. and its subsidiaries (collectively, GCHP or the Organization).

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

1122 OCH, L.L.C.
165 Dauphin GP, L.L.C.
1840 Baronne L.L.C.
Beverly Land, L.L.C.
GCHP-1409 OCH, L.L.C.
GCHP-1610 OCH, L.L.C.
GCHP-Andrew L.L.C.
GCHP-Canal, L.L.C.
GCHP-Elysian II, L.L.C.
GCHP-German Schoolhouse, L.L.C.
GCHP-Jericho, L.L.C.
GCHP-Management, L.L.C.
GCHP-MLK Development, L.L.C.
GCHP-RBR 2002, LLC
GCHP-Scott, L.L.C.
GCHP-Midtown GP, LLC*
GCHP Richland GP, LLC
FNBC MLK Investments
GCHP-Spanish Town, L.L.C.
GCHP-Springs, L.L.C.
GCHP-Stevenson GP, L.L.C.
GCHP-Westwego, L.L.C.
Gulf Coast Housing Partnership, L.L.C.
King Rampart L.L.C.
OSBR Land, L.L.C.
Village at the Beverly II GP, L.L.C.
GCHP-Hooper Ridge, LLC
Hooper Ridge, LLC
GCHP-Franklin LLC
GCHP-Franklin MM, LLC
GCHP-German Schoolhouse GP, LLC
Pearl Street Southwest MM, LLC
Richland Gardens, LP
GCHP-Midtown, LP*
GCHP-MSD1LP

## (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. |

* Denotes entity was formed or became wholly owned in 2022.

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

| | |
|---|---|
| GCHP-Beau Sejour GP, L.L.C. | GCHP-Jefferson Davis GP, L.L.C. |
| GCHP-Elysian, L.L.C. | GCHP-Muses, L.L.C. |
| GCHP-Elysian III, LLC | Nel Court, GP, L.L.C. |
| GCHP-Esplanade GP, L.L.C. | Old Morrison GP, L.L.C. |
| GCHP-Gabriel Villa GP, L.L.C. | Village at the Beverly GP, L.L.C. |
| GCHP-Hammond GP, L.L.C. | Village at the Beverly II GP, LLC |
| GCHP-Raymond Road GP, LLC | 1300 OCH GP, LLC * |
| GCHP-Virginia Meadows GP, LLC | LMBD Lafourche GP, LLC |
| H3C GP, LLC * | Country Ridge Estates GP, LLC * |
| GCHP-Villas at Lafayette SLP, LLC | GCHP-Midtown GP, LP |
| GCHP-Cypress Gardens GP, LLC | Jefferson Davis, LTD |
| Lotus Village GP, LLC * | |

* Denotes entity was formed or became wholly owned in 2022.

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-Sacred Heart MM, LLC |
| GCHP-One Stop, L.L.C. | TGBG1, LLC |
| GCHP-1854 GP, L.L.C. | GCHP-Sacred Heart, LLC |
| West-Millsaps GP, L.L.C. | GCHP-Claiborne MM, L.L.C. |
| GCHP-Mid City GP, L.L.C. | AG 2018, L.L.C. |
| GCHP-North Park GP, L.L.C. | Pearl Street Southwest MM, L.L.C. |
| McKee City Living GP, L.L.C. | GCHP-Progress Park GP, LLC |
| GCHP-NMTC-2019#2 | GCHP-NMTC-2019#1 |
| GCHP-NMTC-2019#4 | GCHP-NMTC-2019#3 |
| GCHP-NMTC-2019#5 | GCHP-Elysian II GL, LLC |

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

### (a) History and Organization (continued)

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

| | |
|---|---|
| 165 Dauphin, L.P. | Stevenson Apartments, L.P. |
| 1854 North Street, L.L.C. | Village at the Beverly, L.L.C. |
| Beau Sejour Apartments, L.P. | West-Millsaps, L.L.C. |
| GCHP-Claiborne, L.L.C. | 1626 OCH LLC |
| GCHP-Esplanade, L.L.C. | GCHP-Elysian II, LLC |
| GCHP-Hammond, L.L.C. | North Park Housing, GP |
| GCHP-Jefferson Davis, L.L.C. | Raymond Road Partners LP |
| GCHP-Mid City, L.L.C. | GCHP-Progress Park, LLC |
| GCHP-MLK, L.L.C. | H3C, LLC |
| GCHP-PolyBar, L.L.C. | 1300 OCH, LLC |

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

| | |
|---|---|
| Nel Court, L.P. | LMDB LaFourche, LLC |
| Northpark Housing, L.P. | Country Ridge Estates, LP |
| Old Morrison Partners, L.P. | Virginia Meadows, LP |
| GCHP-Cypress Gardens, LP | Virginia Meadows Parcel 1, LLC |
| Lotus Village, LP | Virginia Meadows Parcel 2, LLC |
| Village at the Beverly II, LP | McKee City Living, LP |
| Country Club Estates, LP | McDonogh 16, LLC |

Other non-consolidated partnership interests and method used to account for these investments are as follows:

| | |
|---|---|
| .01% of The Elysian, L.L.C. (cost) | .01% of Country Club Estates LP, L.L.C. (cost) |
| .005% The Muses, LTD (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 intercompany accounts and transactions have been eliminated.

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

### (b) Basis of Accounting and Presentation of Net Assets

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. 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 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 $15,588,353 and $14,368,582 of net assets with donor restrictions as of December 31, 2022 and 2021, respectively. These net assets are restricted by purpose and time.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restrictions are accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

### (c) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates, and those differences could be material.

### (d) Cash and Cash Equivalents

Cash includes amounts on deposit at financial institutions. Cash equivalents represent 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.

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

### (f) Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. GCHP uses the direct write-off method to provide for uncollectible accounts. Receivables are charged to bad debt when they are deemed uncollectable. Write-offs totaled $436,533 and $0 for the years ended December 31, 2022 and 2021, respectively. Use of this method does not result in a material difference from the valuation method required by U.S. GAAP.

### (g) Debt Issuance Costs

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.

### (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 the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from 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.

Impairment of long-lived assets is reviewed whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. Fair market value is determined primarily using appraisals. Construction-in-Process related to one subsidiary, GCHP-Cypress Gardens, LP, was impaired in the amount of $351,369 in 2022. There were no other impairments of long-lived assets recorded by management during the years ended December 31, 2022 and 2021.

### (i) Goodwill

Goodwill is recorded when an organization acquires or obtains a controlling interest in another business or entity for a higher price than the net value of the acquired or newly controlled organization. GCHP amortizes goodwill over a period of 10 years and is required to test for impairment only if a triggering event has occurred. GCHP elects to test for impairment at the entity level rather than the reporting unit level. GCHP recorded $816,580 as goodwill related to obtaining the controlling interest in McDonogh 16, LLC on November 14, 2022, and has recorded $2,552 in amortization through December 31, 2022.

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

### (j) 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.

### (k) 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 $129,530 and $666,167 for the years ended December 31, 2022 and 2021, 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.

### (l) Revenue Recognition

Contributions – GCHP recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give – that is, those with measurable performance or other barriers and right of return (or release) – are not recognized until the conditions on which they depend have been substantially met.

Federal and state grants – A portion of GCHP's revenue is derived from cost-reimbursable federal and state contracts and grants, which are, for the public benefit, 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 grant funds of $2,670,000 and $2,094,984 that were not recognized as revenues at December 31, 2022 and 2021, respectively, as qualifying expenditures have not yet been incurred.

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)

### (l) 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 may be 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. Management fees received in advance are deferred to the applicable period in which the related services are performed.

Rental income – 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 short-term 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.

### (m) Functional Expense Allocation

The costs of the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program or support services categories based on specific identification where possible. Salaries and benefits are allocated based on the estimates of time and effort. 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)

### (n) Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02 ("ASU 2016-02"), Leases. ASU 2016-02 and its amendments have now formally entered into the FASB codification as ASC Topic 842, Leases ("ASC 842"). The objective of ASC 842 is to establish the principles for lessees and lessors to apply for reporting useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. ASC 842 requires lessees to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance of operating leases.

On January 1, 2022, GCHP adopted ASC 842 using the modified retrospective approach as of the adoption date, whereby the cumulative effect of adoption was recognized on the adoption date and prior periods were not restated.

Upon adoption of the standard, GCHP elected the practical expedients provided for in ASC 842, including:

No reassessment of whether any expired or existing contracts were or contained leases;
No reassessment of the lease classification for any expired or existing leases;
No reassessment of initial direct costs for any existing leases; and
No separation of lease and non-lease components.

GCHP has various office lease agreements which are among related parties and are consolidated in these financial statements. As GCHP is the lessee and the lessor in the agreements and all amounts are consolidated for these leases, GCHP has eliminated the right-of-use asset and lease liability in consolidation. Due to election of the package of practical expedients, upon adoption of ASC 842 these lease agreements continue to be classified as operating leases. For the year ended December 31, 2022, GCHP recorded $142,312 in rent expense related to these lease agreements as well as $142,312 in rental income, which were eliminated in consolidation.

GCHP's affordable housing properties are leased on a 12-month basis subject to non-cancelable terms and therefore, not subject to ASC 842. GCHP's commercial properties are subject to non-cancelable operating leases with terms greater than 12 months and therefore are subject to ASC 842.

## (2) Concentration of Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

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 available for general expenditures within one year at December 31:

| | 2022 | 2021 |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and cash equivalents | $ 45,772,952 | $ 49,812,925 |
| Accounts and other receivables | 3,443,961 | 6,297,996 |
| Notes receivable | 44,544,967 | 26,982,024 |
| Total financial assets | 93,761,880 | 83,092,945 |
| Less amounts not available to be used within one year for general expenditures: | | |
| Cash restricted for specific uses | 21,886,803 | 35,384,341 |
| Receivables – developer fees | 1,472,164 | 2,361,503 |
| Notes receivable – non-current | 44,387,100 | 26,968,832 |
| | 67,746,067 | 64,714,676 |
| Financial assets available to meet general expenditures within one year | $ 26,015,812 | $ 18,378,269 |

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 U.S. Federal Deposit Insurance Corporation 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 consists of the following at December 31:

| | 2022 | 2021 |
|---|---|---|
| Land, lots, buildings, and improvements | $ 285,036,385 | $ 204,212,658 |
| Construction in progress | 69,551,466 | 78,438,525 |
| Furniture, equipment, and fixtures | 12,752,184 | 7,661,384 |
| | 367,340,365 | 290,312,567 |
| Less accumulated depreciation | (42,268,560) | (35,184,885) |
| Property and equipment, net | $ 325,071,805 | $ 255,127,682 |

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, 2022 and 2021. The Organization entered into several construction contracts totaling $131,671,941 related to projects in process at year end. As of December 31, 2022, the Organization incurred $84,191,307 in construction costs, including retainage related to these projects.

## (5) Notes Receivable

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

| | 2022 | 2021 |
|---|---|---|
| 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 refinancing of The Muses Ltd 1 or October 1, 2039. | 50,000 | 50,000 |
| 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. | 87,471 | 102,846 |

## (5) Notes Receivable (continued)

| | 2022 | 2021 |
|---|---|---|
| 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 |
| 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 |
| Regional Community Finance, LLC - note receivable line of credit with interest rate of 1.0% per annum; principal and interest are due annually commencing on January 1, 2029. All unpaid principal and interest shall be due at maturity on July 1, 2051. | 140,828 | 140,828 |
| 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 |
| Odyssey House Louisiana - note receivable with interest rate at 0% per annum; principal is due December 2, 2049. | 760,216 | 760,316 |
| 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 | 500,000 |

**(5) Notes Receivable (continued)**

| | 2022 | 2021 |
|---|---|---|
| Realtymasters, LLC - $4,850,000 note receivable with an interest rate of 1.16% per annum; interest is due quarterly. Commencing on June 5, 2028, principal and interest payments are due quarterly. All unpaid principal and interest are due at maturity on December 31, 2040. | $ 4,850,000 | $ 4,850,000 |
| OCH Commercial, LLC - $6,305,000 notes receivable with an interest rate of 1.31% per annum, interest is due quarterly. Commencing on September 5, 2028, principal and interest payments are due quarterly. All unpaid principal and interest are due at maturity on July 1, 2056. | 6,305,000 | 6,305,000 |
| Villas of Lafayette - (AHP funds) notes receivable with interest rate at 0% per annum; principal is due February 26, 2055. These notes are secured by real estate. | 1,061,000 | - |
| Regional Community Finance, LLC - (Health and Human Services funds) note receivable with interest rate at 0% per annum; principal is due April 8, 2052. The note is secured by personal property. | 800,000 | - |
| The Dewberry - $4,607,500 note receivable with an interest rate of 1.15% per annum; interest is due quarterly. Commencing on June 5, 2028, principal and interest payments are due quarterly. All unpaid principal and interest are due at maturity on September 8, 2029. | 4,607,500 | - |
| The Pearl Clinic, LLC - $4,850,000 note receivable with an interest rate of 1.09% per annum; interest is due quarterly. Commencing on June 5, 2029, principal and interest payments are due quarterly. All unpaid principal and interest are due at maturity on April 8, 2057. | 4,850,000 | - |
| Oakwood University, Inc. - $4,607,500 note receivable with an interest rate of 1.06% per annum; interest is due quarterly. Commencing on June 5, 2029, principal and interest payments are due quarterly. All unpaid principal and interest are due at maturity on May 4, 2057. | 4,607,500 | - |
| Odyssey House Louisiana - (Health and Human Services funds) note receivable with interest rate at 0% per annum; principal is due December 2, 2049. | 1,200,000 | - |

**(5) Notes Receivable (continued)**

| | 2022 | 2021 |
|---|---|---|
| The Elysian, L.L.C. - (Operating Deficit Loan) note receivable with interest rate at 0% per annum; principal is due December 31, 2023. | $ 53,000 | $ - |
| Country Club Estates, LLC – note receivable with interest rate at 0% per annum, principal is due December 1, 2023. | 50,000 | - |
| Odyssey House Louisiana - note receivable with interest rate at 6% per annum; Final maturity is in July 2026. | 349,418 | - |
| Total notes receivable | $ 44,544,967 | $ 26,982,024 |

Accrued interest receivable on the above notes totaled $812,201 and $758,265 as of December 31, 2022 and 2021, respectively. Accrued interest receivable is included in other assets in the consolidated statements of financial position.

**(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 | 2022 | 2021 |
|---|---|---|
| Unsecured acquisition / predevelopment / development loans, bearing interest from 0% 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 2027. Interest expense was $590,575 and $493,377 in 2022 and 2021, respectively. | $ 15,981,940 | $ 14,625,070 |
| Secured, recourse lines of credit, totaling $12,192,440 of available credit for predevelopment/construction financing, bearing interest from 3.40% to 7.73% payable monthly, with entire principal to be repaid in full at maturity at various dates through 2024. Interest expense was $149,095 and $93,160 in 2022 and 2021, respectively. | 3,739,721 | 4,133,523 |
| Unsecured initial capitalization loans, bearing interest between 2.5% and 3.95%, with interest only payments due monthly, to be paid in full with maturity dates from June 21, 2027 to March 30,2037. Interest expense was $80,126 and $0 in 2022 and 2021, respectively. | 6,200,000 | - |
| Total corporate debt | 25,921,661 | 18,758,593 |

## (6) Long-Term Debt (continued)

Partnership Debt

| | 2022 | 2021 |
|---|---|---|
| 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 2062. Interest expense was $243,117 and $320,188 in 2022 and 2021, respectively. | $ 64,483,348 | $ 55,920,007 |
| Secured, recourse qualified low-income community investment (QLICI) loan, bearing interest from 1% to 4.25% payable monthly. Principal to be repaid in full at maturity or convertible to permanent financing with maturities from 2044 to 2061. Interest expense was $45,039 and $122,078 in 2022 and 2021, respectively. | 22,326,557 | 8,450,302 |
| Secured, recourse acquisition and construction loans, bearing interest at fixed and variable rates from 0.48% to 3.00% payable monthly, with principal to be repaid in full at maturity or convertible to permanent financing with maturities in 2022. Capitalized interest was $129,530 and $316,241 and interest expense was $371,825 and $28,072 in 2022 and 2021, respectively. | 28,759,114 | 27,424,492 |
| 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. | 6,872,595 | 7,617,909 |
| Permanent, secured conventional loans, bearing interest from 0% to 7.75%, generally with principal and interest due monthly, to be repaid in full at various dates through 2060. Capitalized interest was $0 and $254,423 and interest expense was $1,004,292 and $1,117,142 in 2022 and 2021, respectively. | 53,852,887 | 45,391,986 |
| Secured, non-recourse, partner loan from pass through rehabilitation financing, bearing interest from 0% to 4.35%, with interest and principal payable from property cash flow. To be repaid in full at December 31, 2058. Interest expense was $45,094 and $40,200 in 2022 and 2021, respectively. | 11,516,116 | 4,827,214 |
| Unsecured non-recourse loans, bearing interest from 1% to 7.5%. To be repaid in full at September 27, 2065. Interest expense was $43,038 and $0 in 2022 and 2021, respectively. | 2,073,826 | - |
| Total partnership debt | 189,884,443 | 149,631,910 |

**(6) Long-Term Debt (continued)**

| | | |
|---|---|---|
| Total long-term debt | 215,806,104 | 168,390,503 |
| Less unamortized debt issuance costs | (2,844,592) | (2,756,067) |
| Total long-term debt, net | $ 212,961,512 | $ 165,634,436 |

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

| | |
|---|---|
| 2023 | $ 88,644 |
| 2024 | 25,350,236 |
| 2025 | 6,003,935 |
| 2026 | 14,757,737 |
| 2027 | 3,234,714 |
| Thereafter | 154,004,071 |
| Loans based on cash flow | 6,300,797 |
| Forgivable loans | 6,065,970 |
| | $ 215,806,104 |

Loans based on cash flow are loans whereby interest is paid out of surplus cash or available cash flow with payments occurring at various dates through the year ended December 31, 2062. Forgivable loans are forgivable over time or on the achievement of certain milestones specified by the loan agreements.

Certain notes payable are subject to financial covenants as defined in the specific note payable agreements.

Paycheck Protection Program Loan

During the year ended December 31, 2020, GCHP applied for and was approved for a $813,127 loan under the Paycheck Protection Program administered by the Small Business Administration (SBA) as part of the relief efforts related to COVID-19. The loan accrued interest at a fixed rate of 1.00% but payments were not required to begin for seven months after the funding of the loan. The Organization was eligible for forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan was uncollateralized and was fully guaranteed by the Federal Government. In March 2021, the Organization was notified by the SBA that the loan was forgiven.

Interest Rate Swaps Related to Les Maison de Bayou LaFourche, LLC

Les Maison de Bayou LaFourche, LLC, (“Les Maison”), a consolidated subsidiary of GCHP, Inc., entered into a commitment to receive permanent financing with Cedar Rapids Bank and Trust Company in the amount of $962,000, upon maturity of the construction loan. The interest rate will be a fixed rate of 3.94% per annum. The loan will require monthly principal and interest payments until it matures on August 8, 2039. Upon maturity of the loan, Les Maison will pay the outstanding principal balance of the loan and any accrued but unpaid interest. The loan will have a term of 17 years and an amortization of 40 years. The loan will be collateralized by the land and property. As of December 31, 2022, the construction loan has not matured.

## (6) Long-Term Debt (continued)

In conjunction with the Permanent Loan commitment, on August 7, 2020, Les Maison entered into a forward-starting interest rate swap contract. The swap contract became effective on August 7, 2022 and converts the variable interest rate to a fixed interest rate on borrowings under the Permanent Loan.

## (7) New Markets Tax Credits

On January 14, 2021, GCHP, NMTC-2019#1, LLC, a subsidiary of GCHP, Inc., entered into an operating agreement with Realtymasters Investment Fund, LLC. NMTC-2019#1, LLC, was organized as a subsidiary for the purpose of receiving sub-allocations of New Markets Tax Credits ("NMTC") from GCHP, Inc., an Allocatee under the NMTC Program. Pursuant to the Operating Agreement, Realtymasters Investment Fund, LLC, is required to provide capital contributions to the GCHP, NMTC-2019#1, totaling $5,000,000 for a 99.99% membership interest. As of December 31, 2021, Realtymasters Investment Fund, LLC, capital contribution totaled $5,000,000. Of this contribution, $5,000,000 has been designated as a qualified equity investment ("QEI") under the NMTC program.

On January 14, 2021, GCHP, Inc., entered into two separate loan agreements with Realtymasters, LLC, a Qualified Active Low Income Community Business ("QALICB") under the NMTC program, in the amount of $4,850,000. Realtymasters, LLC is to pay this balance at an interest rate of 1.16% with a maturity date of December 31, 2040.

On June 30, 2021, GCHP NMTC-2019#2, LLC a subsidiary of GCHP, Inc., entered into an operating agreement with The Pearl Investment Fund, LLC. NMTC-2019#2, LLC, was organized as a subsidiary for the purpose of receiving sub-allocations of New Markets Tax Credits ("NMTC") from GCHP, Inc., an Allocatee under the NMTC Program. Pursuant to the Operating Agreement, The Pearl Investment Fund, LLC is required to provide capital contributions to GCHP, NMTC-2019#2, totaling $4,500,000 for a 99.99% membership interest. As of December 31, 2022, The Pearl Investment Fund, LLC, capital contribution totaled $5,000,000. Of this contribution, $5,000,000 has been designated as a qualified equity investment ("QEI") under the NMTC program.

On July 1, 2021, GCHP, NMTC-2019#3, LLC, a subsidiary of GCHP, Inc., entered into an operating agreement with Twain Investment Fund 558, LLC. GCHP, NMTC-2019#3, LLC was organized a subsidiary for the purpose of receiving sub-allocations of NMTC from GCHP, Inc., an Allocatee under the NMTC Program. Pursuant to the Operating Agreement, Twain Investment Fund 558, LLC, is required to provide capital contributions to the GCHP, NMTC-2019#1, totaling $6,500,000 for a 99.99% membership interest. As of December 31, 2021, Twain Investment Fund 558, LLC, capital contribution totaled $6,500,000. Of this contribution, $6,500,000 has been designated as a QEI under the NMTC program.

On July 1, 2021, GCHP, Inc. entered into four separate loan agreements with OCH Commercial, LLC, a QALICB under the NMTC program, to pay GCHP-NMTC-2019#3 a total of $6,305,000. These notes have an interest rate of 1.31% and a maturity date of July 1, 2050.

On April 8, 2022, GCHP NMTC-2019#2, LLC entered into two separate loan agreements with The Pearl Clinic, LLC, a Qualified Active Low Income Community Business ("QALICB") under the NMTC program, in the amount of $4,850,000. The Pearl Clinic, LLC is to pay this balance at an interest rate of 1.09% with a maturity date of April 8, 2057.

## (7) New Markets Tax Credits (continued)

On March 9, 2022, GCHP NMTC-2019#5, LLC a subsidiary of GCHP, Inc., entered into an operating agreement with Twain Investment Fund 653, LLC. NMTC-2019#5, LLC, was organized as a subsidiary for the purpose of receiving sub-allocations of New Markets Tax Credits ("NMTC") from GCHP, Inc., an Allocatee under the NMTC Program. Pursuant to the Operating Agreement, Twain Investment Fund 653, LLC is required to provide capital contributions to GCHP, NMTC-2019#5, totaling $4,750,000 for a 99.99% membership interest. As of December 31, 2022, Twain Investment Fund 653, LLC, capital contribution totaled $4,750,000. Of this contribution, $4,750,000 has been designated as a qualified equity investment ("QEI") under the NMTC program.

On March 9, 2022, GCHP NMTC-2019#5, LLC entered into two separate loan agreements with Dewberry QALICB, LLC, a Qualified Active Low Income Community Business ("QALICB") under the NMTC program, in the amount of $4,607,500. Dewberry QALICB, LLC is to pay this balance at an interest rate of 1.15% with a maturity date of September8, 2029.

On May 4, 2022, GCHP NMTC-2019#4, LLC a subsidiary of GCHP, Inc., entered into an operating agreement with OU Huntsville Investment Fund, LLC. NMTC-2019#4, LLC, was organized as a subsidiary for the purpose of receiving sub-allocations of New Markets Tax Credits ("NMTC") from GCHP, Inc., an Allocatee under the NMTC Program. Pursuant to the Operating Agreement, Twain Investment Fund 653, LLC is required to provide capital contributions to GCHP, NMTC-2019#4, totaling $4,750,000 for a 99.99% membership interest. As of December 31, 2022, OU Huntsville Investment Fund, LLC, capital contribution totaled $4,750,000. Of this contribution, $4,740,000 has been designated as a qualified equity investment ("QEI") under the NMTC program.

On May 4, 2022, GCHP NMTC-2019#4, LLC entered into two separate loan agreements with Oakwood University Community QALICB, a Qualified Active Low Income Community Business ("QALICB") under the NMTC program, in the amount of $4,607,500. Oakwood University Community QALICB is to pay this balance at an interest rate of 1.07% with a maturity date of May 4, 2057.

## (8) Commitments and Contingencies

Loan Guarantees

GCHP is contingently liable for a CDBG loan between Regional Community Finance (RCF) and the State of Louisiana, Office of Community Development. The loan, dated November 27, 2013, was for $1,000,000 of which $783,629 and $817,162 was outstanding at December 31, 2022 and 2021, respectively. The note has an interest rate of 1% per annum. The loan converted to an amortizing note in 2019 and the remaining interest and principal is payable monthly, due November 27, 2043.

GCHP is contingently liable for multiple loans between RCF 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 are being repaid from 2019 to 2024. The loans had outstanding balances of $6,908,771 and $7,315,083 at December 31, 2022 and 2021, respectively. GCHP is contingently liable for multiple loans between Odyssey House Investment Fund, LLC and RCF. The notes are dated December 5, 2017 with total principal of $10,845,743. They bear interest rates from 1.60% to 6.09% and mature from 2024 to 2038. The loans had outstanding balances totaling $9,858,384 at December 31, 2022 and 2021.

## (8) Commitments and Contingencies (continued)

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, 2022 and 2021, Enterprise Community Partners, Inc. (ECP) awarded GCHP with operating grants. GCHP recorded a total of $45,000 and $512,333 on the consolidated statements of activities as grant income for the years ended December 31, 2022 and 2021, respectively. A Vice President of ECP is a board member and related party of GCHP.

The Housing Partnership Network, Inc.

On November 13, 2018, and September 28, 2022, GCHP entered into separate promissory notes with the Housing Partnership Network, Inc. (HPN). The retired President of HPN is a board member and related party of GCHP. The notes have an interest rate of 4.5%. The notes had an outstanding balance of $3,500,000 and $2,500,000 as of December 31, 2022 and 2021, respectively. Interest payments are paid until maturity.

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, 2022 and 2021, the outstanding balance on the loan was $384,000 and the interest rate was 4.35%. Interest payments are received until maturity.

NBC USA Housing

As disclosed in Note 5, GCHP has loaned funds to NBC USA Housing and its affiliate, McCaleb Supporting Housing, with principal balances of $475,000 as of December 31, 2022 and 2021. The Chairman of the Board of NBC USA Housing is a board member and related party of GCHP.

Regional Community Finance

The President and related party of GCHP is also on the Board of RCF. GCHP MLK Leverage Lender, L.L.C (GCHP MLK) is a subsidiary of RCF. In prior years, GCHP, or its affiliates, entered into notes payable agreements with RCF and GCHP MLK. The notes payable had an outstanding balance of $5,659,113 and $5,725,691 with interest rates ranging from 0.50% to 5% at December 31, 2022 and 2021, respectively.

See Note 7 for disclosure of NMTC transaction with OCH Commercial, LLC, a subsidiary of RCF.

## (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 at January 1, 2021 | $ 127,555,315 | $ 66,690,932 | $ 60,864,383 |
| Change in net assets | 4,889,088 | 8,319,977 | (3,430,889) |
| Contributions to subsidiaries by noncontrolling shareholders | 26,517,198 | - | 26,517,198 |
| Change in consolidated net assets | 31,406,286 | 8,319,977 | 23,086,309 |
| Balance at December 31, 2021 | 158,961,601 | 75,010,909 | 83,950,692 |
| Change in net assets | 609,953 | 8,806,546 | (8,196,593) |
| Contributions to subsidiaries by noncontrolling shareholders | 34,484,315 | - | 34,484,315 |
| Change in consolidated net assets | 35,094,268 | 8,806,546 | 26,287,722 |
| Balance at December 31, 2022 | $ 194,055,869 | $ 83,817,455 | $ 110,238,414 |

Capital contributions to and distributions from consolidated subsidiaries by noncontrolling interests for the years ended December 31, 2022 and 2021 are as follows:

| Subsidiaries | 2022 | 2021 |
|---|---|---|
| Beau Sejour Apartments, L.P. | $ (3,313) | $ - |
| 1626 OCH, LLC | - | 378,014 |
| GCHP-Lotus Village | 55,000 | 1,275,642 |
| GCHP-NMTC-2019#1 | (31,148) | 5,000,003 |
| GCHP-NMTC-2019#2 | 479,676 | 4,500,000 |
| GCHP-NMTC-2019#3 | (50,066) | 6,487,483 |
| GCHP-NMTC-2019#4 | 4,733,217 | - |
| GCHP-NMTC-2019#5 | 4,733,919 | - |
| GCHP-NMTC-2020 Number 2 | 9,000,000 | - |
| GCHP-Country Ridge | 1,356,400 | 1,017,300 |
| GCHP-Country Ridge North | 1,121,100 | - |
| McKee City Living | 3,189,718 | 600,000 |
| Cypress Gardens | 782,937 | - |
| Elysian II | 877,077 | - |
| North Park | 1,279,995 | 654,212 |
| Lafourche | 1,738,400 | - |
| Virginia Meadows | 2,057,538 | 1,990,106 |
| Pearl Street Southwest | 3,078,671 | - |

## (10) Noncontrolling Interest (continued)

| | | |
|---|---|---|
| Progress Park | - | 1,009,763 |
| 1300-OCH | - | 1,950,300 |
| H3C | - | 1,453,050 |
| AG2018 | - | 35,000 |
| Raymond Road | - | 109 |
| Nel Court, LP | - | 166,216 |
| Other | 85,194 | - |
| Net contributions to subsidiaries | $ 34,484,315 | $ 26,517,198 |

## (11) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted as follows as of December 31:

| | 2022 | 2021 |
|---|---|---|
| Time and purpose restricted | $ 750,000 | $ 3,596,066 |
| Time restricted | 14,838,353 | 10,772,516 |
| Total net assets with donor restrictions | $ 15,588,353 | $ 14,368,582 |

## (12) 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, 2022, 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 in 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.

## (13) Subsequent Events

On January 13, 2023, Gulf Coast Housing Partnership, Inc. ("GCHP") completed the sale of the building, structures and improvements at 1409 Oretha Castle Haley Boulevard, New Orleans, to New Orleans Redevelopment Unlimited, Inc. ("NORU"), pursuant to the Amended and Restated Option Agreement between GCHP and the New Orleans Redevelopment Authority, a tenant of the building. Additionally, NORU purchased a parking lot for use in conjunction with the building. The total sales price of this real estate was $3,484,097 and the proceeds from the sales were used to settle debt related to the building and other assets.

**(13) Subsequent Events (continued)**

On January 19, 2023, GCHP closed a transaction related to the financing for the development, construction, and rehabilitation of affordable housing in Richland, Miss., called “Richland Gardens”. This transaction, supported by Low Income Housing Tax Credits will develop 54 units of affordable housing. The syndicator for this transaction is Regions Bank, and additional financing is provided by GCHP, the HOPE OZ Fund I, LLC, Churchill Mortgage Investment, LLC, the Federal Home Loan Bank of Atlanta, and Regions Bank. The development budget is $12,319,988.

On February 1, 2023, Gulf Coast Housing Partnership, Inc. (“GCHP”) closed a transaction related to the financing for the development, construction, and rehabilitation of affordable housing in Baton Rouge, La., called “Government Corridor”. This transaction, supported by Low Income Housing Tax Credits will develop 34 units of affordable housing. The syndicator for this transaction is Hunt Capital Partners, and additional financing is provided by GCHP, United Bank, and the Office of Community Development at the State of Louisiana. The development budget is $9,061,204.

Gulf Coast Housing Partnership, LLC, a wholly owned subsidiary of GCHP, is the developer of both projects.

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, June 12, 2023, and determined that no other events occurred that require disclosure. No events after this date have been evaluated for inclusion in the 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, 2022**

**Chief Executive Officer Name: Kathy Laborde**

R.S. 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2015 Regular Session which clarified that nongovernmental or not for profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer paid from public funds.

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 supported by public funds.

See accompanying independent auditors' report.

# GULF COAST HOUSING PARTNERSHIP, INC.

## SINGLE AUDIT REPORT

## DECEMBER 31, 2022

Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

# GULF COAST HOUSING PARTNERSHIP, INC.

## SINGLE AUDIT REPORT

## DECEMBER 31, 2022

# GULF COAST HOUSING PARTNERSHIP, INC.

Single Audit Report

December 31, 2022

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P&N Postlethwaite & Netterville
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A Professional Accounting Corporation

# 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) (the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, 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 12, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatements, 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
June 12, 2023

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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

### *Opinion on Each Major Federal Program*

We have audited Gulf Coast Housing Partnership Inc.'s (the Organization) 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 Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2022.

### *Basis for Opinion on Each Major Federal Program*

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Report on 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 a 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.

Postlethwaite & Netterville

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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

We have audited the consolidated financial statements of the Organization as of and for the year ended December 31, 2022, and have issued our report thereon dated June 12, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted 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 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 30, 2023

**GULF COAST HOUSING PARTNERSHIP, INC.**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED DECEMBER 31, 2022**

| Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name | Federal Assistance Listing Number | Grant Number/ Pass-Through Entity Identifying Number | Federal Expenditures in 2022 |
|---|---|---|---|
| **U.S. Department of the Treasury:** | | | |
| Pass-through program from: | | | |
| Community Development Financial Institutions Fund | | | |
| Capital Magnet Fund | 21.011 | 191CM053469, 201CM055353, 211CM059118 | $ 3,924,984 |
| Pass-through program from: | | | |
| Hinds County | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | WDDNGMQSKDR5 | 919,178 |
| Total U.S. Department of the Treasury | | | 4,844,162 |
| **U.S. Department of Housing and Urban Development:** | | | |
| Pass-through program from: | | | |
| Louisiana Office of Community Development | | | |
| Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | 14.228 | Unknown | 2,354,500 |
| Pass-through program from: | | | |
| Louisiana Housing Corporation (LHC) | | | |
| Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | 14.228 | PB19-08 CDBG-DR, PB19-09 CDBG-DR, OCD PRIME-2020-05 CDBG-DR | 12,515,430 |
| Total Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | | | 14,869,930 |
| Total U.S. Department of Housing and Urban Development | | | 14,869,930 |
| **U.S. Department of Health and Human Services:** | | | |
| Direct Programs: | | | |
| Community Service Block Grant Discretionary Awards | 93.570 | 90EE1290-01-00 | 800,000 |
| Total U.S. Department of Health and Human Services | | | 800,000 |
| **Congressional Appropriations:** | | | |
| Pass-through program from: | | | |
| NeighborWorks America | | | |
| Social Impact Partnerships to Pay for Results Act (SIPPRA) | 21.116.260 | R-NEC-2022-66334, R-SUPINT-2022-69891, R-NWW-2022-66733, R-SUPINT-2022-66987, R-SUPINT-2022-68686, & R-SUPINT-2022-69018 | 631,500 |
| | | **Total Federal Award Expenditures** | **$ 21,145,592** |

Note: No amounts were passed through to subrecipients during the year ended December 31, 2022.

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, 2022**

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. (the Organization). 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 Organization reporting entity is defined in Note 1 to the consolidated financial statements for the year ended December 31, 2022. 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 the Organization; it is not intended to and does not present the consolidated financial position, consolidated statement of activities, or consolidated cash flows of the Organization.

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 the Organization's consolidated financial statements for the year ended December 31, 2022. 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.

The Organization 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 $21,145,592 are reported as follows:

| | | |
|---|---|---|
| Federal grants | $ | 6,275,662 |
| CY Long-term debt proceeds | | 14,869,930 |
| Total federal expenditures | $ | 21,145,592 |

Total federal award expenditures of $6,275,662 are within the federal grant revenue reflected in the consolidated statement of activities. Funding received under the Community Development Block Grant Program which is passed through several State agencies is considered a grant award, and amounts presented on the Schedule represent draw downs on loans provided by the passthrough entity. Since the funding under this program is not a direct loan from the federal awarding agency, the awards are not presented as loans on the Schedule.

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.

# GULF COAST HOUSING PARTNERSHIP, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## YEAR ENDED DECEMBER 31, 2022

1) Summary of Auditors' Results

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

Federal Awards

c) Internal control over major programs:

Material weakness identified: No

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

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

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

f) The following is an identification of major programs:

United States Department of Housing and Urban Development
- ALN 14.228 – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

United States Department of Treasury
- ALN 21.027 – Coronavirus State and Local Fiscal Recovery Funds

United States Department of Health and Human Services
- ALN 93.570 – Community Service Block Grant Discretionary Awards

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

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

**GULF COAST HOUSING PARTNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED DECEMBER 31, 2022**

2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*:

   None

3) Findings and Questioned Costs relating to Federal Awards:

   None

**GULF COAST HOUSING PARTNERSHIP, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED DECEMBER 31, 2022**

Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*:

2021-001 Timely Submission of Audit Reports to Legislative Auditor

| | |
|---|---|
| Criteria: | Under Louisiana statute (LA R.S. 24:513), the Organization is required to have an annual audit of its financial statements prepared in accordance with U.S. generally accepted accounting principles and to complete the audit and file it with the Legislative Auditor of the State of Louisiana by June 30 of each year. |
| Condition: | The Organization did not meet the June 30, 2022 deadline for reporting to the State of Louisiana. |
| Cause: | The financial statement audit was completed before the deadline; however, additional time was needed to provide supporting documentation to complete the Single Audit due to staffing challenges faced by the Organization. |
| Effect: | The Organization is non-compliant with the state audit law with respect to timeliness of submission. |
| Recommendation: | We recommend that the Organization implement procedures to ensure that supporting documentation for grant testing can be provided more timely. |
| Status: | Resolved |

Findings and Questioned Costs relating to Federal Awards:

None

# GULF COAST HOUSING PARTNERSHIP, INC.
# NEW ORLEANS, LOUISIANA

# REPORT ON STATEWIDE AGREED-UPON PROCEDURES on COMPLIANCE and CONTROL AREAS

# FOR THE YEAR ENDED DECEMBER 31, 2022

Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

**GULF COAST HOUSING PARTNERSHIP, INC.**
**NEW ORLEANS, LOUISIANA**

**REPORT ON STATEWIDE**
**AGREED-UPON PROCEDURES on COMPLIANCE**
**and CONTROL AREAS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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A Professional Accounting Corporation

**INDEPENDENT ACCOUNTANTS' REPORT**
**ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of Gulf Coast Housing Partnership, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated in Schedule A on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. Gulf Coast Housing Partnership, Inc., the Entity's, management is responsible for those C/C areas identified in the SAUPs.

The Entity has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by the Entity to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the Entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

Postlethwaite & Netterville

Metairie, Louisiana
June 12, 2023

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" or for step 13 "we performed the procedure and discussed the results with management".* If not, then a description of the exception ensues.

## *1) Written Policies and Procedures*

1. Obtain and inspect the entity's written policies and procedures and observe whether 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.

   *We performed the procedure above and noted the following exception:*
   - *Budgeting Policy does not contain sections on monitoring and amending.*

   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.

   *No exceptions noted.*

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

   *No exceptions noted.*

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

   *No exceptions noted.*

   e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

   *No exceptions noted.*

   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.

   *No exceptions noted.*

   g) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

   *We performed the procedure above and noted the following exception:*

- *Travel and expense policy does not set specific dollar thresholds by category of expense.*

h) ***Credit Cards (and debit cards, fuel cards, purchase 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).

*We performed the procedure above and noted the following exception:*

- *Credit card policy does not contain a section on required approvers of statements.*

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

*Not applicable to non-profit organizations.*

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

*Not applicable to non-profit organizations.*

k) ***Information Technology 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.

*No exceptions noted.*

l) ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*Not applicable to non-profit organizations.*

## *2) Board or Finance Committee*

A. 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:

i. Observe whether 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.

*No exceptions noted.*

ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-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.*

*No exceptions noted.*

iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.

*No exceptions noted.*

iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

*No exceptions noted.*

## *3) Bank Reconciliations*

A. Obtain a listing of entity 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 each selected account, and observe that:

*A listing of bank accounts was provided and included a total of 40 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ending June 30, 2022, resulting in 5 bank reconciliations obtained and subjected to the below procedures.*

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

*No exceptions noted.*

ii. Bank reconciliations include written evidence that a member of management or a 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

*Of the 5 bank reconciliations obtained, 5 did not have a reviewer's initials or any other documentation evidencing the review.*

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

*Of the 5 bank accounts selected, 2 bank reconciliations had reconciling items that have been outstanding for more than 12 months. There was no documentation evidencing that these reconciling items were researched for proper disposition.*

## *4) Collections (excluding electronic funds transfers)*

A. 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 a total of 35 deposit sites. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 deposit sites and performed the procedures below.*

B. 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 (e.g. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then 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 each deposit site selected in procedure #4 was provided and included a total of 35 collection locations. No exceptions were noted as a result of performing this procedure.*

*From each of the listings provided, we randomly selected one collection location for each deposit site. 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.*

i. Employees responsible for cash collections do not share cash drawers/registers;

*No exceptions noted.*

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

*For the 5 locations selected for our procedures, the employee responsible for collecting cash prepares/makes the bank deposit and reconciles collection documentation to the deposit.*

iii. Each employee responsible for collecting cash is not also 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; and

*No exceptions noted.*

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

*No exceptions noted.*

C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

*The Entity did not provide documentation of bond or insurance coverage for employees who have access to cash, as cash is not collected at deposit sites.*

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (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). *Alternatively, 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 randomly selected 2 deposit dates for each of the 5 bank accounts selected in procedure #3. We obtained supporting documentation for each of the 10 deposits and performed the procedures below.*

i. Observe that receipts are sequentially pre-numbered.

*No exceptions noted.*

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

*No exceptions noted.*

iii. Trace the deposit slip total to the actual deposit per the bank statement.

*No exceptions noted.*

iv. 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 and the cash is stored securely in a locked safe or drawer).

*For 1 of the 10 collections selected for our procedures, the deposit was not made within one business day of receipt at the collection location.*

v. Trace the actual deposit per the bank statement to the general ledger.

*No exceptions noted.*

## *5) Non-payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)*

A. 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).

*The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 locations and performed the procedures below.*

B. For each location selected under #5A 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, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

*The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.*

*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.*

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

*No exceptions noted.*

ii. At least two employees are involved in processing and approving payments to vendors;

*No exceptions noted.*

iii. 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;

*For the 5 locations selected for our procedures, the person processing payments was not prohibited from adding/modifying vendor files. The same employee is responsible for periodic review of vendor files.*

iv. 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; and

*For the 5 locations selected for our procedure, the check signer does not mail payment nor gives payment to someone who is not responsible for processing payment.*

v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

*No exceptions noted.*

C. For each location selected under #5A 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 listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.*

*From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.*

i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity, and

*No exceptions noted.*

ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

*For the 5 disbursements selected for our procedures, the person processing payments was not prohibited from adding/modifying vendor files. The same employee is responsible for periodic review of vendor files. For the 5 disbursements selected for our procedure, the check signer does not mail payment nor gives payment to someone who is not responsible for processing payment.*

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

*A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.*

## *6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)*

A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.

*A listing of cards was provided. No exceptions were noted as a result of performing this procedure.*

B. 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

*From the listing provided, we randomly selected 5 cards used in the fiscal period. We randomly selected one monthly statement for each of the 5 cards selected and performed the procedures noted below.*

i. Observe whether 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) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported; and

*For the 5 credit cards tested, the monthly statement provided did not contain evidence of review by someone other than the card holder.*

ii. Observe that finance charges and late fees were not assessed on the selected statements.

*No exceptions noted.*

C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). 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 observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

*We performed the procedure above and noted the following exceptions:*

- *For 5 of the 39 transactions selected for testing, an original itemized receipt that identifies precisely what was purchased was not provided.*
- *For 11 of the 39 transactions selected for testing, written documentation of the business/public purpose was not provided.*

## 7) *Travel and Travel-Related Expense Reimbursements (excluding card transactions)*

A. 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, and 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:

*The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.*

i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

*Of the 5 reimbursements selected for our procedures, none used a per diem. No exceptions noted.*

ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

*No exceptions noted.*

iii. 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 Policies and Procedures", procedure #1A(vii); and

*No exceptions noted.*

iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions noted.*

## ***8) Contracts***

A. 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. *Alternatively, 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

*An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 contracts and performed the procedures below.*

*i.* Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

*The 5 contracts selected for testing were not subject to Louisiana Public Bid Law.*

ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter);

*No exceptions noted.*

iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

*No exceptions noted.*

iv. 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.

*No exceptions noted.*

## *9) Payroll and Personnel*

A. 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.

*A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. No exceptions noted.*

B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

*We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.*

i. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

*No exceptions noted.*

ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

*No exceptions noted.*

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

*No exceptions noted.*

iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

*No exceptions noted.*

C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

*A listing of employees/officials receiving termination payments during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 2 employees/officials and performed the specified procedures. No exceptions were noted as a result of performing this procedure.*

D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

   *No exceptions noted.*

## 10) *Ethics*

A. Using the 5 randomly selected employees/officials from procedure "Payroll and Personnel" procedure #9A, above obtain ethics documentation from management, and

   i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

      *Not applicable for nonprofit organizations.*

   ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

      *Not applicable for nonprofit organizations.*

B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

   *Not applicable for nonprofit organizations.*

## *11) Debt Service*

A. 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 as required by Article VII, Section 8 of the Louisiana Constitution.

   *State Bond Commission approval is not applicable to nonprofits.*

B. 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).

*A listing of bonds/notes outstanding at the end of the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 1 bond/note and performed the specified procedures. No exceptions noted.*

## *12) Fraud Notice*

A. 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 as required by R.S. 24:523.

*Management represented that there were no misappropriations of public funds and assets during the fiscal period.*

B. 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.

*The notice was not posted on the Entity's premises or website.*

## *13) Information Technology Disaster Recovery/Business Continuity*

A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

*We performed the procedure and discussed the results with management.*

ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

*We performed the procedure and discussed the results with management.*

iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

*We performed the procedure and discussed the results with management.*

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidenced that the selected terminated employees have been removed or disabled from the network.

*We performed the procedure and discussed the results with management.*

## *14) Prevention of Sexual Harassment*

A. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

*Not appliable to non-profit organizations.*

B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

*Not appliable to non-profit organizations.*

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

i. Number and percentage of public servants in the agency who have completed the training requirements;

*Not applicable to non-profit organizations.*

ii. Number of sexual harassment complaints received by the agency;

*Not applicable to non-profit organizations.*

iii. Number of complaints which resulted in a finding that sexual harassment occurred;

*Not applicable to non-profit organizations.*

iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

*Not applicable to non-profit organizations.*

v. Amount of time it took to resolve each complaint.

*Not applicable to non-profit organizations.*

Schedule B

***Management's Response and Corrective Action Plan:***

***1a) Budgeting:*** *Gulf Coast Housing Partnership (GCHP) is in the process of updating the budgeting policy and will be in line with guidance from LLA regarding monitoring and amending procedures.*

***1g) Credit Cards:*** *GCHP will update the credit card policy to reflect all measures taken during recording.*

***1h) Travel and Expense Reimbursement:*** *GCHP is reviewing the travel policy and will update to be compliant with LLA requirements.*

***3a)ii) Bank Reconciliations:*** *GCHP will update procedures to reflect timely review by management including date and signature.*

***3a)iii) Bank Reconciliations:*** *GCHP will update procedures to require review and documentation of review of items older than 60 days by management.*

***4b)ii) Collections:*** *Due to staffing limitations at each office segregation of duties is not always possible. GCHP is reviewing ways to satisfy segregation of duties with current organization structure and staffing.*

***4b)iii) Non-Payroll Disbursements:*** *GCHP has addressed this in expanding staffing in fiscal year 2023, which will allow for proper segregation of duties related to accounts payable.*

***5c)ii) Non-Payroll Disbursements:*** *GCHP has addressed this in expanding staffing in fiscal year 2023, which will allow for proper segregation of duties related to accounts payable.*

***6b)i) Credit Cars/Debit Cards/Fuel Cards/P-Cards:*** *GCHP will update the credit card policy to have the accounting team review and approve in addition to CEO.*

***6c)1) Credit Cars/Debit Cards/Fuel Cards/P-Cards:*** *GCHP is working to ensure all support for credit card transactions are preserved and available to review upon submission of credit card payment.*

***6c)2) Credit Cars/Debit Cards/Fuel Cards/P-Cards:*** *Credit Cards are only provided to approved employees at management level or above. The CEO approves all individuals personally. At the time of input or upload of credit card transactions, the accounts payable manager or controller reviews each one for the proper coding and appropriate business purpose. Receipts are requested and charges are discussed with the cardholder. The CEO reviews the statements randomly/periodically to ensure that no erroneous or inappropriate charges are made.*

***12b) Fraud Notice:*** *GCHP is in the process of redesigning its public website, which will include the posting of the fraud notice.*