
GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf Coast Housing Partnership, Inc. (GCHP), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to on the previous page present fairly, in all material respects, the financial position of Gulf Coast Housing Partnership, Inc. as of December 31, 2020 and 2019, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information listed in the table of contents 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 relate 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, such information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2021, on our consideration of GCHP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the effectiveness of GCHP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GCHP's internal control over financial reporting and compliance.



Metairie, Louisiana
April 29, 2021

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents		\$ 3,798,412	\$ 2,420,459
Accounts receivable		1,524,848	505,986
Grants and contributions receivable		5,180,000	1,512,422
Prepays		801,251	703,945
Developer fees receivable		746,923	1,667,342
Restricted cash and cash equivalents		30,132,688	19,311,529
Notes receivable		16,117,679	15,050,447
Real estate held for development and sale		12,929,693	12,485,798
Property and equipment, net		189,863,406	146,484,716
Other assets		2,636,832	2,689,350
Investments		326,828	1,151,423
Total assets		<u>\$ 264,058,560</u>	<u>\$ 203,983,417</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 3,341,145	\$ 1,626,891
Construction costs payable	4,837,470	902,296
Refundable advances	1,365,000	997,250
Deferred revenue	731,692	731,692
Other payables	3,701,240	3,229,561
Due to related parties	2,994,767	2,925,892
Paycheck Protection Program loan	813,127	-
Long-term debt, net of debt issuance costs	118,718,804	86,305,586
Total liabilities	<u>136,503,245</u>	<u>96,719,168</u>

NET ASSETS

Without donor restrictions		
GCHP - controlling interest	57,438,432	48,840,287
Noncontrolling interests in subsidiaries	60,864,383	55,742,712
Total net assets without donor restrictions	<u>118,302,815</u>	<u>104,582,999</u>
With donor restrictions	9,252,500	2,681,250
Total net assets	<u>127,555,315</u>	<u>107,264,249</u>
Total liabilities and net assets	<u>\$ 264,058,560</u>	<u>\$ 203,983,417</u>

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES AND SUPPORT</u>						
Property operations rental income	\$ 8,629,890	\$ -	\$ 8,629,890	\$ 7,888,588	\$ -	\$ 7,888,588
Grants and contributions	3,631,391	5,680,000	9,311,391	5,887,700	-	5,887,700
Development fees	6,327,261	-	6,327,261	1,869,003	-	1,869,003
Federal grants	1,228,994	891,250	2,120,244	974,656	681,250	1,655,906
Forgiveness of debt, net	2,744,314	-	2,744,314	4,745,314	-	4,745,314
Interest income	184,439	-	184,439	138,057	-	138,057
Management fees	803,000	-	803,000	374,884	-	374,884
Rental income	154,229	-	154,229	223,537	-	223,537
Interest income on cash and cash equivalents	16,165	-	16,165	60,491	-	60,491
Loss on disposition	-	-	-	(41,715)	-	(41,715)
Loss on investments in partnerships	(824,595)	-	(824,595)	-	-	-
Other revenue	16,314	-	16,314	516,611	-	516,611
Net assets released from restrictions	-	-	-	-	-	-
Total support and revenue	<u>22,911,402</u>	<u>6,571,250</u>	<u>29,482,652</u>	<u>22,637,126</u>	<u>681,250</u>	<u>23,318,376</u>
<u>EXPENSES</u>						
Program services	15,744,478	-	15,744,478	16,093,447	-	16,093,447
Support services	2,777,249	-	2,777,249	2,169,264	-	2,169,264
Total expenses	<u>18,521,727</u>	<u>-</u>	<u>18,521,727</u>	<u>18,262,711</u>	<u>-</u>	<u>18,262,711</u>
Change in net assets	<u>4,389,675</u>	<u>6,571,250</u>	<u>10,960,925</u>	<u>4,374,415</u>	<u>681,250</u>	<u>5,055,665</u>
<u>NET ASSETS, BEGINNING OF YEAR</u>	104,582,999	2,681,250	107,264,249	87,863,215	2,000,000	89,863,215
Change in net assets	4,389,675	6,571,250	10,960,925	4,374,415	681,250	5,055,665
Noncontrolling members' contributions to subsidiaries	9,330,141	-	9,330,141	11,612,988	-	11,612,988
Sale/transfer of general partnership interest	-	-	-	732,381	-	732,381
Change in consolidated net assets	<u>13,719,816</u>	<u>6,571,250</u>	<u>20,291,066</u>	<u>16,719,784</u>	<u>681,250</u>	<u>17,401,034</u>
<u>NET ASSETS, END OF YEAR</u>	<u>\$ 118,302,815</u>	<u>\$ 9,252,500</u>	<u>\$ 127,555,315</u>	<u>\$ 104,582,999</u>	<u>\$ 2,681,250</u>	<u>\$ 107,264,249</u>

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			Total Expenses
	Program Services	Supporting Services		
		Management and General	Fundraising	
Salaries and benefits	\$ 2,254,108	\$ 1,161,400	\$ 125,346	\$ 3,540,854
Depreciation and amortization	4,841,400	120,008	-	4,961,408
Property operating expense	5,221,564	-	-	5,221,564
Interest expense	1,961,128	-	-	1,961,128
Administrative	-	1,246,925	-	1,246,925
Property taxes and insurance	1,466,278	123,570	-	1,589,848
Total expenses	<u>\$ 15,744,478</u>	<u>\$ 2,651,903</u>	<u>\$ 125,346</u>	<u>\$ 18,521,727</u>

	2019			Total Expenses
	Program Services	Supporting Services		
		Management and General	Fundraising	
Salaries and benefits	\$ 1,990,227	\$ 1,096,740	\$ 69,118	\$ 3,156,085
Depreciation and amortization	4,752,803	54,921	-	4,807,724
Property operating expense	6,215,133	-	-	6,215,133
Interest expense	1,974,062	-	-	1,974,062
Administrative	-	860,048	-	860,048
Property taxes and insurance	1,161,222	88,437	-	1,249,659
Total expenses	<u>\$ 16,093,447</u>	<u>\$ 2,100,146</u>	<u>\$ 69,118</u>	<u>\$ 18,262,711</u>

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Changes in net assets	\$ 10,960,925	\$ 5,055,665
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,798,681	4,615,520
Forgiveness of debt	(2,744,314)	(4,745,314)
Loss on investment	824,595	-
Amortization of deferred fees	162,727	192,204
Noncash interest (amortization of debt issuance costs)	117,491	244,481
Assignment of note receivable	-	(5,451,699)
Acquisition of PolyBar NCI	-	732,381
Loss (gain) on disposition	-	41,715
Changes in operating assets and liabilities:		
Accounts receivable	(1,018,862)	(764,403)
Grants and contributions receivable	(3,667,578)	(440,050)
Prepays	(97,306)	(48,227)
Developer fees receivable	920,419	83,144
Other assets	-	226,070
Accounts payable and accrued expenses	1,714,254	246,486
Refundable advances	367,750	997,250
Deferred revenue	-	(825,544)
Other payables	471,679	17,927
Net cash provided by operating activities	<u>12,810,461</u>	<u>177,606</u>
Cash flows from investing activities:		
Purchases of real estate, property, and equipment	(47,685,879)	(12,292,460)
Funds advanced on notes receivable	(1,090,674)	(588,752)
Collection on notes receivable	23,442	1,777,014
Sale of real estate held	-	925,631
Net cash used in investing activities	<u>(45,753,324)</u>	<u>(10,178,567)</u>
Cash flows from financing activities:		
Proceeds from notes payable	40,252,376	12,147,876
Payments on notes payable	(5,212,335)	(13,147,209)
Proceeds from related parties	68,875	-
Contributions and transfers from noncontrolling interests	9,330,141	11,612,988
Change in other assets, net	(110,209)	-
Paycheck Protection Program proceeds	813,127	-
Net cash provided by financing activities	<u>45,141,975</u>	<u>10,613,655</u>
Net increase in cash and cash equivalents	12,199,112	612,694
Cash and cash equivalents at beginning of year	<u>21,731,988</u>	<u>21,119,294</u>
Cash and cash equivalents at end of year	<u>\$ 33,931,100</u>	<u>\$ 21,731,988</u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid for interest, net of capitalized interest	<u>\$ 2,134,203</u>	<u>\$ 1,748,506</u>
Change in accounts payable related to construction	<u>\$ 3,935,174</u>	<u>\$ (2,167,163)</u>
<u>Reconciliation to Consolidated Statements of Financial Position:</u>		
Cash and cash equivalents for cash flow statements include:		
Cash and cash equivalents	\$ 3,798,412	\$ 2,420,459
Restricted cash and cash equivalents	30,132,688	19,311,529
	<u>\$ 33,931,100</u>	<u>\$ 21,731,988</u>

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

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(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 especially in the Gulf South region that were affected by Hurricanes Katrina and Rita; to foster and stimulate economic development; and to play a key role in developing a new institutional infrastructure through which long-term, affordable housing in the Gulf South can be successfully produced, owned, and operated.

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

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

Gulf Coast Housing Partnership, L.L.C.	GCHP-German Schoolhouse GP, L.L.C.
GCHP-Management, L.L.C.	GCHP-German Schoolhouse, L.L.C.
GCHP-NDF, L.L.C.	GCHP PolyBar, L.L.C.
GCHP-MLK Development, L.L.C.	GCHP-1610 OCH, L.L.C.
GCHP-MSD1 GP	GCHP-MSD1, LP
OSBR Land, L.L.C.	GCHP-RBR 2002, L.L.C.
GCHP-Scott, L.L.C.	Beverly Land, L.L.C.
GCHP-Jericho, L.L.C.	Village at the Beverly II GP, L.L.C.
GCHP-Canal, L.L.C.	GCHP-Old Morrison GP, L.L.C.
GCHP-Westwego, L.L.C.	Lotus Village GP, L.L.C.*
Lotus Village, LP*	GCHP Stevenson GP, L.L.C.
GCHP-1409 OCH, L.L.C.	GCHP-Raymond Road GP, L.L.C.
1122 OCH, L.L.C.	Hooper Ridge, L.L.C.
King Rampart L.L.C.	GCHP-Springs, L.L.C.
GCHP-Spanish Town, L.L.C.	GCHP Franklin, L.L.C.
GCHP-Andrew L.L.C.	North Park Housing, GP, L.L.C.
1840 Baronne L.L.C.	GCHP-Progress Park GP, L.L.C.
GCHP Franklin MM L.L.C.	Village at the Beverly III GP, L.L.C.
GCHP Hooper Ridge, L.L.C.	H3C GP, L.L.C.
GCHP-Progress Park, L.L.C.	1300 OCH GP, L.L.C.
FNBC MLK Investments	165 Dauphin GP, L.L.C.
GCHP-Richland GP, L.L.C.	

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

GCHP LA CHDO, Inc.	GCHP-Texas, Inc.
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* Denotes entity was formed or became wholly owned in 2020.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(1) Summary of Significant Accounting Policies (continued)

(a) History and Organization (continued)

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

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

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

GCHP-Elysian III GP, L.L.C.	GCHP-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, L.L.C.
Pearl Street Southwest MM, L.L.C.	

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

Village at the Beverly, L.L.C.	GCHP-MLK, L.L.C.
GCHP-Mid City, L.L.C.	1854 North Street, L.L.C.
GCHP-Claiborne, L.L.C.	West-Millsaps, L.L.C.
GCHP-Esplanade, L.L.C.	H3C, L.L.C.
1300 OCH, L.L.C.	Northpark Housing, L.P.
165 Dauphin, L.P.	GCHP-Hammond, L.L.C.
Gabriel Villa Apartments, L.P.	Beau Sejour Apartments, L.P.
Nel Court, L.P.	Old Morrison Partners, L.P.
GCHP-Jefferson Davis, L.L.C.	Stevenson Apartments, L.P.
Raymond Road Partners, L.P.	1626 OCH L.L.C.
1626 OCH GP, L.L.C.	GCHP-Elysian II, L.L.C.
Les Maisons De Bayou Lafourche, L.L.C.	Country Ridge Estates, LP
GCHP-Cypress Gardens, LP	GCHP-Elysian III, L.L.C.
Village at the Beverly II, LP.	McKee City Living, LP
Virginia Meadows, LP	McKee City Living GP, LLC
Virginia Meadows Parcel 1, LLC	Virginia Meadows Parcel 2, LLC
Village at the Beverly II, L.P.	Richland Gardens, LP

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

(a) **History and Organization (continued)**

Other non-consolidated partnership interests are as follows:

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

All significant intercompany accounts and transactions have been eliminated.

(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 \$9,252,500 and \$2,681,250 of net assets with donor restrictions as of December 31, 2020 and 2019, 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.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

(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.

(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. There were no direct write-offs for the years ended December 31, 2020 and 2019. 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. There were no impairments of long-lived assets recorded by management during the years ended December 31, 2020 and 2019.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(1) Summary of Significant Accounting Policies (continued)

(i) Tax Exempt Status

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

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

(j) Real Estate Development

GCHP capitalizes project costs which include acquisition and predevelopment costs (real estate held for development and sale), and construction and development costs incurred during construction (construction in progress) for each of its projects. GCHP also capitalizes, upon commencement of construction, interest charges from debt related to these specific projects. Interest capitalized was \$237,859 and \$205,802 for the years ended December 31, 2020 and 2019, respectively. When projects are sold, the related cost and accumulated depreciation as applicable are removed from the accounts; any gain or loss is included in the consolidated statements of activities.

(k) Revenue Recognition

Contributions – 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 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 \$1,365,000 and \$997,250 that were not recognized as revenues at December 31, 2020 and 2019, 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.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

(k) **Revenue Recognition (continued)**

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

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

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

(l) **Functional Expense Allocation**

The costs of 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.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

(m) **Accounting Pronouncements Issued but Not Yet in Effect**

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for the Organization's fiscal year ending December 31, 2021.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of retained earnings. On June 3, 2020, the FASB deferred the effective date of this standard for certain entities. This standard will be effective for the Organization's fiscal year ending December 31, 2022.

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

(n) **Reclassifications**

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

(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.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(3) Liquidity and Availability

The following represents the Organization's financial assets available for general expenditures within one year at December 31:

Financial assets at year end:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 33,931,100	\$ 21,731,988
Accounts and other receivables	7,451,771	3,685,750
Notes receivable	<u>16,117,679</u>	<u>15,050,447</u>
Total financial assets	<u>57,500,550</u>	<u>40,468,185</u>
Less amounts not available to be used within one year for general expenditures:		
Cash restricted for specific uses	25,823,340	15,088,408
Receivables	339,507	149,842
Notes receivable	<u>15,685,477</u>	<u>15,027,654</u>
	<u>41,848,324</u>	<u>30,265,904</u>
Financial assets available to meet general expenditures within one year	<u>\$ 15,652,226</u>	<u>\$ 10,202,281</u>

GCHP maintains a current cash reserve of approximately \$1,477,000. As part of its liquidity plan, excess cash may be invested in short term investments with maturities of no more than 3 months, including US government securities and certificates of deposit. Funds are invested to ensure full 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:

	<u>2020</u>	<u>2019</u>
Land, lots, buildings, and improvements	\$ 171,988,024	\$ 161,707,534
Construction in progress	41,376,708	3,419,079
Furniture, equipment, and fixtures	<u>6,885,191</u>	<u>6,945,939</u>
	220,249,923	172,072,552
Less accumulated depreciation	<u>(30,386,517)</u>	<u>(25,587,836)</u>
Property and equipment, net	<u>\$ 189,863,406</u>	<u>\$ 146,484,716</u>

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, 2020 and 2019. The Organization entered into several construction contracts totaling \$71,603,213 related to projects in process at year end. As of December 31, 2020, the Organization incurred \$19,705,680 in construction costs, including retainage.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(5) Notes Receivable

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

	<u>2020</u>	<u>2019</u>
The Elysian, L.L.C. - (East Baton Rouge Parish Redevelopment funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	\$ 841,100	\$ 841,100
The Elysian, L.L.C. - (Office of Community Development funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	4,000,000	4,000,000
The Elysian, L.L.C. - (Louisiana Housing Finance Agency funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	2,099,930	2,099,930
The Elysian, L.L.C. - (Developer Fee Loan) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	352,617	352,617
Reconcile New Orleans, Inc. - (Health and Human Services funds) note receivable with interest rate at 0% per annum; principal is due December 31, 2041. The note is secured by real estate.	765,828	765,828
The Muses Ltd 1 - (HOME funds) note receivable with interest rate at 2.75% per annum; principal and accrued interest are due May 31, 2026. The note is secured by real estate.	2,000,000	2,000,000
The Muses Ltd 1 - (Enterprise funds) note receivable with interest rate at 0% per annum; principal is due at the earlier of the sale and/or the refinancing of The Muses Ltd 1 or October 1, 2039.	50,000	50,000

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

	<u>2020</u>	<u>2019</u>
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.	\$ 115,219	\$ 128,086
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

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

	<u>2020</u>	<u>2019</u>
2700 Bohn Motor, L.L.C. - note receivable line of credit with interest rate of 5.75% per annum; principal and interest due February 28, 2018. The loan was paid in full on January 31, 2020.	\$ -	\$ 10,575
NBC - USA Housing Inc Twenty-Six - (HOME funds) note receivable with interest at 0% per annum; principal is due March 28, 2033.	475,000	475,000
Odyssey House Louisiana - note receivable with interest rate at 0% per annum; principal is due December 2, 2049.	760,416	-
unCommon Construction - note receivable with interest rate at 0% per annum; principal is due June 30, 2021. The note is secured by real estate.	76,407	-
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
Odyssey House Louisiana - \$1,000,000 note receivable line of credit with an interest rate of 6.50% per annum; interest is due monthly and all unpaid principal and interest are due at maturity on April 29, 2021.	342,603	88,752
Total notes receivable	<u>\$ 16,117,679</u>	<u>\$ 15,050,447</u>

Accrued interest receivable on the above notes totaled \$659,437 and \$601,717 as of December 31, 2020 and 2019, respectively. Accrued interest receivable is included in other assets in the consolidated statements of financial position.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(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:

<u>Corporate Debt</u>	<u>2020</u>	<u>2019</u>
Unsecured acquisition/predevelopment/development loans, bearing interest from 1% to 5.5%, with interest-only payments due monthly/semi-annual/quarterly, with the exception of one loan that has a monthly principal and interest amortization, to be repaid in full at maturity at various dates through 2025. Interest expense was \$363,821 and \$348,639 in 2020 and 2019, respectively.	\$ 10,820,665	\$ 11,292,836
Unsecured initial capitalization loan, bearing interest at 3.53%, with interest only payments due monthly, to be paid in full with maturity date of November 1, 2022. Interest expense was \$6,665 and \$0 in 2020 and 2019, respectively.	475,991	-
Unsecured, recourse, qualified low income community investment (QLICI) loans, bearing interest at 1% with annual interest only payments through December 10, 2020 and as of December 10, 2021 monthly principal and interest payments in an amount sufficient to fully amortize the outstanding principal balance as of the maturity date of December 21, 2044. Interest expense was \$33,500 in 2020 and 2019. The loans were forgiven in 2020.	-	2,000,000
Secured, recourse lines of credit, totaling \$11,500,000 of available credit for predevelopment/construction financing, bearing interest from 4.84% to 5.75% payable monthly, with entire principal to be repaid in full at maturity at various dates through 2022. Interest expense was \$121,782 and \$134,302 in 2020 and 2019, respectively.	3,380,318	3,039,396

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(6) Long-Term Debt (continued)

<u>Corporate Debt (continued)</u>	<u>2020</u>	<u>2019</u>
Secured, non-recourse working capital lines of credit, bearing interest at 5.20% payable monthly, with entire principal to be repaid in full at maturity of various dates through August 1, 2022. Interest expense was \$15,722 and \$11,050 in 2020 and 2019, respectively. The lines of credit were paid in full in 2020.	\$ -	\$ 151,396
Total corporate debt	<u>14,676,974</u>	<u>16,483,628</u>
 <u>Partnership Debt</u>		
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 \$326,013 and \$318,093 in 2020 and 2019, respectively.	\$ 42,347,941	\$ 30,411,116
Secured, recourse qualified low-income community investment (QLICI) loan, bearing interest at 0.50% payable quarterly. Principal to be repaid in full at March 30, 2051. Interest expense was \$71,008 and \$128,387 in 2020 and 2019, respectively.	1,947,000	1,947,000

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(6) Long-Term Debt (continued)

<u>Partnership Debt (continued)</u>	<u>2020</u>	<u>2019</u>
Secured, Louisiana state agency loans, bearing 0% interest, forgiven during the compliance period or forgivable or assignable at the end of the compliance period ranging from 5 to 20 years, beginning upon issuance of the conversion certificate or meeting occupancy requirements for the property. In the event of non-compliance, maturity dates range from 2026 to 2047.	\$ 7,556,598	\$ 7,560,797
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 \$144,539 and \$191,108 and interest expense was \$954,496 and \$849,189 in 2020 and 2019, respectively.	38,309,396	26,804,441
Secured, non-recourse, partner loan from pass through rehabilitation financing, bearing interest from 4% to 4.35%, with interest and principal payable from property cash flow. To be repaid in full at December 31, 2058. Interest expense was \$101,536 and \$100,525 in 2020 and 2019, respectively.	2,202,740	2,202,740
Total partnership debt	<u>105,686,417</u>	<u>71,349,054</u>
Total long-term debt	120,363,391	87,832,682
Less unamortized debt issuance costs	<u>(1,644,587)</u>	<u>(1,527,096)</u>
Total long-term debt, net	<u>\$ 118,718,804</u>	<u>\$ 86,305,586</u>

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(6) Long-Term Debt (continued)

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

2021		\$ 5,967,817
2022		20,617,677
2023		1,845,162
2024		867,608
2025		2,569,514
Thereafter		37,129,449
Loans based on cash flow		44,550,681
Forgivable loans		6,815,483
		<u>\$ 120,363,391</u>

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. Management has determined that the Organization is in compliance with these covenants as of December 31, 2020 and 2019.

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 accrues interest at a fixed rate of 1.00% but payments are not required to begin for seven months after the funding of the loan. The Organization is eligible for forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal Government.

The Organization was notified in March 2021 by the SBA that the loan was forgiven.

(7) PolyBar Unwind

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

During the year ended December 31, 2019, Note A in the amount of \$612,000 was purchased from OSK VII, L.L.C. for face value by GCHP. Since the borrower of the note is GCHP PolyBar, L.L.C., the note was eliminated upon consolidation.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(7) PolyBar Unwind (continued)

During the year ended December 31, 2019, Note B in the amount of \$2,591,218 was assigned to Regional Community Finance, Inc. (RCF) by FNBC NMTC #1, L.L.C. The borrower on this note is GCHP PolyBar, L.L.C. RCF then forgave a portion of the note in the amount of \$1,736,301 resulting in debt forgiveness revenue. Subsequently, GCHP forgave notes receivable due from RCF. Contribution revenue related to debt forgiveness was presented net of this debt forgiveness expense.

During the year ended December 31, 2019, Note C in the amount of \$5,451,699 was assigned to GCHP by FNBC 2010 Sub-CDE #10, LLC. The borrower of the note was GCHP PolyBar, L.L.C. The assignment of the note was presented as contribution revenue on the consolidated statements of activities and changes in net assets. GCHP then forgave the note and the forgiveness was eliminated upon consolidation.

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

(8) Commitments and Contingencies

Loan Guarantees

GCHP is contingently liable for a CDBG loan between RCF and State of Louisiana, Office of Community Development. The loan, dated November 27, 2013, was for \$1,000,000 of which \$817,162 and \$849,835 was outstanding at December 31, 2020 and 2019, respectively. The note has an interest rate of 1% per annum. A balloon payment in the amount of \$145,083 was due and made on October 27, 2019. The loan then converted to an amortizing note and the remaining interest and principal is payable monthly, due November 27, 2043.

GCHP is contingently liable for multiple loans between 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 \$7,465,015 and \$9,929,549 at December 31, 2020 and 2019, 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, 2020 and 2019.

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

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(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, 2020 and 2019, Enterprise Community Partners, Inc. (ECP) awarded GCHP with operating grants. GCHP recorded a total of \$2,136,667 and \$12,235 on the consolidated statements of activities as grant income for the years ended December 31, 2020 and 2019, respectively. A Vice President of ECP is a board member and related party of GCHP.

The Housing Partnership Network, Inc.

On June 27, 2017, and November 13, 2018, GCHP entered into separate promissory notes with the Housing Partnership Network, Inc. (HPN). The President of HPN is a board member and related party of GCHP. The notes have an interest rate of 4% and 4.5%, respectively. The notes had an outstanding balance of \$2,500,000 as of December 31, 2020 and 2019.

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, 2020 and 2019, the outstanding balance on the loan was \$384,000 and the interest rate was 4.35%.

NBC USA Housing

As disclosed in Note 5, GCHP has loaned funds to NBC USA Housing and its affiliate, McCaleb Supporting Housing, with principal balances of \$590,219 and \$603,086 as of December 31, 2020 and 2019, respectively. 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 \$3,569,295 and \$3,617,041 with interest rates ranging from 0.50% to 5% at December 31, 2020 and 2019, respectively.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(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, 2019	\$ 89,863,215	\$ 41,265,676	\$ 48,597,539
Change in net assets	5,055,665	10,255,861	(5,200,196)
Contributions to subsidiaries by noncontrolling shareholders	11,612,988	-	11,612,988
Purchase of partnership interest	732,381	-	732,381
Change in consolidated net assets	17,401,034	10,255,861	7,145,173
Balance at December 31, 2019	107,264,249	51,521,537	55,742,712
Change in net assets	10,960,925	15,169,395	(4,208,470)
Contributions to subsidiaries by noncontrolling shareholders	9,330,141	-	9,330,141
Change in consolidated net assets	20,291,066	15,169,395	5,121,671
Balance at December 31, 2020	<u>\$ 127,555,315</u>	<u>\$ 66,690,932</u>	<u>\$ 60,864,383</u>

Capital contributions to and distributions from consolidated subsidiaries by noncontrolling interests for the years ended December 31, 2020 and 2019 are as follows:

Subsidiaries	2020	2019
Beau Sejour Apartments, L.P.	\$ (3,693)	\$ 881,965
GCHP-Elysian II, L.L.C.	-	1,568,000
Gabriel Villa Apartments, L.P.	(2,639)	(19)
1626 OCH, LLC	(8,361)	645,067
GCHP-Hammond, L.L.C.	(7,294)	(9,041)
GCHP-Mid City	(933)	-
GCHP-Jefferson Davis, L.L.C.	-	459,057
GCHP-Elysian III, L.L.C.	-	916,627
Village at the Beverly II, L.L.C.	-	6,674,332
McKee City Living	2,232,897	-
North Park	1,038,084	-
Lafourche	325,950	-
Virginia Meadows	3,321,789	-
Cypress Gardens	1,957,341	-
Progress Park	477,000	477,000
Net contributions to subsidiaries	<u>\$ 9,330,141</u>	<u>\$ 11,612,988</u>

There was a purchase of membership interest during the year ended December 31, 2019 related to GCHP-Polybar, L.L.C. The purchase resulted in an equity transfer of \$732,381.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(11) Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Time and purpose restricted	\$ 3,572,500	\$ 2,681,250
Time restricted	5,680,000	-
Total net assets with donor restrictions	<u>\$ 9,252,500</u>	<u>\$ 2,681,250</u>

(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, 2020 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

Lotus Village, LP entered into a bond finance agreement with the Louisiana Housing Corporation in the amount of \$11,600,000 with a maturity date of March 8 2039. Interest is payable monthly at a rate of Prime Rate + 0.50% until the earlier of March 8, 2024 or the Conversion Date (the date all requirements for Conversion are met pursuant to the Continuing Covenants Agreement), and then a per annum rate equal to 0.79*LIBOR + 2.00%.

Lotus Village, LP entered into a note payable to the Louisiana Housing Corporation in the amount of \$10,000,000 with a maturity date of May 1 2058. Interest is payable monthly at a rate of 1% per annum. Interest on this note is 0%

Lotus Village, LP entered into a note payable to Cedar Rapids Bank and Trust in the amount of \$2,667,936 with a maturity date of 18 years. Interest is payable monthly at a rate of 79% of the 30 Day LIBOR + 2.00%.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 29, 2021, and determined that other than the matter regarding the Paycheck Protection Program loan described in Note 6, there were no other events occurred that require additional disclosure. No events after this date have been evaluated for inclusion in the 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, 2020

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, 2020

GULF COAST HOUSING PARTNERSHIP, INC.

SINGLE AUDIT REPORT

DECEMBER 31, 2020

GULF COAST HOUSING PARTNERSHIP, INC.

Single Audit Report

December 31, 2020

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the consolidated financial statements of Gulf Coast Housing Partnership Inc. (a nonprofit organization) (the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statement of activities, statement of functional expenses, and statement of cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 29, 2021.

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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.



Metairie, Louisiana
April 29, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited Gulf Coast Housing Partnership Inc.’s (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, 2020. The Organization’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditors’ Responsibility

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

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

Opinion on Each Major Federal Program

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, 2020.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

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

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

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, 2020, and have issued our report thereon dated April 29, 2021, 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.



Metairie, Louisiana
June 29, 2021

GULF COAST HOUSING PARTNERSHIP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA Number	Grant Number/ Pass-Through Entity Identifying Number	Federal Expenditures in 2020
Congressional Appropriations:			
Pass-through program from: NeighborWorks America	21.115.141	R-NONINT-2020-60799 & R-NONEXT-2020-58395	\$ 115,000
U.S. Department of the Treasury:			
Pass-through program from: Community Development Financial Institutions Fund Capital Magnet Fund	21.011	181CM050527 & 191CM053469	891,250
U.S. Department of Health & Human Services:			
Community Services Block Grant Discretionary Awards	93.570	90EE1090-01-00 & 990EE1228-01-00	1,063,994
U.S. Department of Housing and Urban Development:			
Pass-through program from: Enterprise Community Partners Section 4 Capacity Building for Community Development and Affordable Housing	14.252	18SG1070	50,000

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

GULF COAST HOUSING PARTNERSHIP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA Number	Grant Number/ Pass-Through Entity Identifying Number	Federal Expenditures in 2020
Pass-through program from: City of Houston Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	unknown	9,611,560
Pass-through program from: Louisiana Housing Corporation (LHC) Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	PB2018 Project No. 13 & unknown	<u>4,489,390</u>
Total Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii			14,100,950
Pass-through program from: Louisiana Housing Corporation (LHC) Home Investment Partnerships Program	14.239	unknown	<u>478,034</u>
Total U.S. Department of Housing and Urban Development			<u>14,628,984</u>
		Total Federal Award Expenditures	<u>\$ 16,699,228</u>

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, 2020

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, 2020. 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, 2020. 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 \$16,699,228 are reported as follows:

Federal grants	\$ 2,120,244
Long-term debt	<u>14,578,984</u>
Total federal expenditures	<u><u>\$ 16,699,228</u></u>

Total federal award expenditures of \$2,120,244 are within the federal grant revenue reflected in the consolidated statement of activities. Grants advanced through the state Community Development Block Grants loan program are not presented as federal award loans on the Schedule as they are not direct loans from federal agencies.

4. Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports.

Gulf Coast Housing Partnership, Inc.

Schedule of Findings and Questioned Costs

Year ended December 31, 2020

1) Financial Statements

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

b) Internal control over financial reporting:

Material weakness identified: No

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

Noncompliance material to financial statements noted: No

2) Federal Awards

a) Internal control over major programs:

Material weakness identified: No

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

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

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

d) The following is an identification of major programs:

United States Department of Housing and Urban Development

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

United States Department of Health and Human Services

- CFDA No. 93.570 – Community Services Block Grant Discretionary Awards

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

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

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

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