

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

Year Ended December 31, 2017

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES

Year Ended December 31, 2017

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**PACIERA, GAUTREAU & PRIEST, LLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

3209 RIDGELAKE DRIVE, SUITE 200

METAIRIE, LA 70002

(504) 486-5573

FAX (504) 486-6091

www.pgpcpa.com

KIRTH M. PACIERA, C.P.A.  
RENE G. GAUTREAU, C.P.A.  
TIMOTHY L. PRIEST, C.P.A.

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

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

INDEPENDENT AUDITOR'S REPORT

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

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Providence Community Housing and Subsidiaries (a nonprofit Corporation), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**

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

**Auditor's Responsibility**

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

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

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**CERTIFIED PUBLIC ACCOUNTANTS**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Providence Community Housing and Subsidiaries as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Providence Community Housing 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

**Other Matters**

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position and activities; schedules of financial position - capital fund and activities - capital fund; the schedule of compensation, benefits, and other payments to the CEO, as required by Louisiana Revised Statute 24:513 (A) (3); and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of

**PACIERA, GAUTREAU & PRIEST, LLC**  
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**Board of Directors  
Providence Community Housing  
and Subsidiaries**

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2018 on our consideration of Providence Community Housing and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Providence Community Housing and Subsidiaries' internal control over financial reporting and compliance.



Metairie, Louisiana  
June 4, 2018

**PACIERA, GAUTREAU & PRIEST, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017  
(With Summarized Financial Information  
at December 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,282,576	\$ 3,545,118
Accounts receivable, Net	744	134,451
Due from government agency	42,765	28,494
Due from government agency - Developer fee	294,957	523,248
Grants receivable	101,017	105,416
Prepaid expenses	<u>45,170</u>	<u>55,393</u>
<i>Total Current Assets</i>	<u>3,767,229</u>	<u>4,392,120</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	3,308,853	3,242,353
Buildings	5,202,001	4,587,151
Office furniture and equipment	<u>203,206</u>	<u>203,206</u>
	8,714,060	8,032,710
Less: Accumulated depreciation	<u>586,167</u>	<u>466,180</u>
<i>Total Property and Equipment</i>	<u>8,127,893</u>	<u>7,566,530</u>
<u>OTHER ASSETS</u>		
Cash restricted	66,137	105,986
Properties held for sale	788,020	997,281
Due from affiliates, Net	31,293	73,632
Deposits	9,444	9,444
Developer fee receivable - Affiliates	1,409,640	1,462,611
Notes receivable - Other, Net	0	0
Notes receivable - Affiliates, Net	5,945,733	5,700,173
Custodial funds	2,214	13,858
Construction in progress	428,227	288,030
Capital lease property, Net	272,835	272,835
Investments in partnerships and other investments	1,324,129	1,482,693
Pre-development costs	<u>254,455</u>	<u>31,970</u>
<i>Total Other Assets</i>	<u>10,532,127</u>	<u>10,438,513</u>
<i>Total Assets</i>	<u>\$22,427,249</u>	<u>\$22,397,163</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)  
DECEMBER 31, 2017  
(With Summarized Financial Information  
at December 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and other accrued expenses	\$ 98,535	\$ 66,608
Construction payable	0	14,657
Accrued wages and vacation	25,385	21,085
Long-term debt due within one year	<u>720,723</u>	<u>186,440</u>
<i>Total Current Liabilities</i>	<u>844,643</u>	<u>288,790</u>
<u>OTHER LIABILITIES</u>		
Accounts payable - Other	98,993	98,993
Due to related parties	172,659	172,659
Funds held for others	2,214	13,858
Other liabilities	9,410	8,010
Deferred rents/revenue	786,788	795,654
Lease payable	272,835	272,835
Long-term debt, Less current portion	<u>6,130,364</u>	<u>6,947,431</u>
<i>Total Other Liabilities</i>	<u>7,473,263</u>	<u>8,309,440</u>
<i>Total Liabilities</i>	<u>8,317,906</u>	<u>8,598,230</u>
<u>NET ASSETS</u>		
Unrestricted:		
Controlling interest	12,058,357	11,516,446
Noncontrolling interest	<u>918,262</u>	<u>1,047,808</u>
<i>Total Unrestricted</i>	12,976,619	12,564,254
Temporarily restricted	21,224	123,179
Permanently restricted	<u>1,111,500</u>	<u>1,111,500</u>
<i>Total Net Assets</i>	<u>14,109,343</u>	<u>13,798,933</u>
<i>Total Liabilities and Net Assets</i>	<u>\$22,427,249</u>	<u>\$22,397,163</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017  
(With Summarized Financial Information at December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b><u>REVENUE, SUPPORT, GAINS AND LOSSES</u></b>					
Individual/business contributions	\$ 19,045	\$ 0	\$ 0	\$ 19,045	\$ 25,011
Grants	2,432,506	30,925	0	2,463,431	1,689,434
Interest	491,987	0	0	491,987	421,537
Development fees	294,957	0	0	294,957	868,566
Rents	268,373	0	0	268,373	258,101
In-Kind Donations	0	0	0	0	430,286
Miscellaneous	69,415	0	0	69,415	39,689
Partnership income (loss)	(159,130)	0	0	(159,130)	(112,387)
Program service fees	75,964	0	0	75,964	160,303
Gain (loss) on sale of assets	(21,513)	0	0	(21,513)	(246,828)
Bad debt recoveries	151,131	0	0	151,131	231,759
Special event income	0	0	0	0	16,720
Net assets released from restriction	<u>132,880</u>	<u>(132,880)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Revenue, Support, Gains and Losses</i>	<u>3,755,615</u>	<u>(101,955)</u>	<u>0</u>	<u>3,653,660</u>	<u>3,782,191</u>
<b><u>EXPENSES</u></b>					
Program Services:					
Real estate development	1,297,804	0	0	1,297,804	329,635
Home ownership promotion	297,552	0	0	297,552	586,527
Asset management	593,669	0	0	593,669	572,722
Community services	<u>336,859</u>	<u>0</u>	<u>0</u>	<u>336,859</u>	<u>516,266</u>
	<u>2,525,884</u>	<u>0</u>	<u>0</u>	<u>2,525,884</u>	<u>2,005,150</u>
Supporting Services:					
Management and general	410,851	0	0	410,851	392,375
Fund raising	<u>118,409</u>	<u>0</u>	<u>0</u>	<u>118,409</u>	<u>123,221</u>
	<u>529,260</u>	<u>0</u>	<u>0</u>	<u>529,260</u>	<u>515,596</u>
<i>Total Expenses</i>	<u>3,055,144</u>	<u>0</u>	<u>0</u>	<u>3,055,144</u>	<u>2,520,746</u>
Change in Net Assets	700,471	(101,955)	0	598,516	1,261,445
Less: Change in net assets attributed to noncontrolling interest	<u>(158,560)</u>	<u>0</u>	<u>0</u>	<u>(158,560)</u>	<u>451,393</u>
Change in Net Assets, Controlling Interest	<u>541,911</u>	<u>(101,955)</u>	<u>0</u>	<u>439,956</u>	<u>810,052</u>
Net Assets, Controlling Interest - Beginning of Year	<u>11,516,446</u>	<u>123,179</u>	<u>1,111,500</u>	<u>12,751,125</u>	<u>11,941,073</u>
Net Assets, Controlling Interest - End of Year	<u>\$12,058,357</u>	<u>\$ 21,224</u>	<u>\$1,111,500</u>	<u>\$13,191,081</u>	<u>\$12,751,125</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2017  
(With Summarized Financial Information at December 31, 2016)

	Program Services					Supporting Services			2017 Total Program and Supporting Services Expenses	2016 Total Program and Supporting Services Expenses
	Real Estate Develop- ment	Home Ownership Promotion	Asset Manage- ment	Community Services	Total Program Services	Manage- ment and General	Fund Raising	Total Support Services		
Accounting services	\$ 900	\$ 0	\$ 0	\$ 450	\$ 1,350	\$25,925	\$ 0	\$25,925	\$ 27,275	\$ 21,220
Bad debt expense	1,027,354	5,000	130,365	0	1,162,719	0	0	0	1,162,719	183,631
Carrying costs on properties held for sale	22,123	660	0	0	22,783	0	0	0	22,783	39,631
Community center activities	0	0	0	53,660	53,660	0	0	0	53,660	142,631
Conferences and meetings	6,046	2,488	2,053	747	11,334	4,989	1,922	6,911	18,245	15,221
Consulting	29,562	0	20,428	0	49,990	0	0	0	49,990	67,571
Contributions	0	0	0	827	827	7,750	0	7,750	8,577	12,300
Depreciation	0	0	118,560	0	118,560	1,426	0	1,426	119,986	104,155
Direct assistance	0	90,703	0	0	90,703	0	0	0	90,703	289,786
Dues and subscriptions	172	172	86	86	516	2,885	386	3,271	3,787	4,704
Employee benefits	10,056	17,987	2,809	20,632	51,484	28,378	7,603	35,981	87,465	79,227
Equipment rental	0	0	0	5,412	5,412	488	0	488	5,900	10,448
Insurance	2,334	0	24,996	3,999	31,329	18,045	0	18,045	49,374	69,968
Interest expense	36,733	0	152,284	0	189,017	0	0	0	189,017	173,260
IT Support	0	0	0	11,928	11,928	22,500	0	22,500	34,428	43,245
Legal	0	570	495	2,525	3,590	463	0	463	4,053	9,072
Management fees	0	0	17,100	0	17,100	0	0	0	17,100	16,425
Marketing	0	0	0	0	0	3,138	14,740	17,878	17,878	12,103
Meals and entertainment	551	596	244	3,200	4,591	3,302	1,005	4,307	8,898	14,549
Miscellaneous	10,753	93	0	30	10,876	255	0	255	11,131	670
Office and supplies	880	229	17,428	21,802	40,339	16,356	1,253	17,609	57,948	58,834
Payroll taxes	9,663	11,542	2,439	8,205	31,849	17,663	5,942	23,605	55,454	56,609
Postage and shipping	0	846	0	1,569	2,415	1,237	0	1,237	3,652	4,297
Pre-Development expenses	0	0	0	0	0	0	0	0	0	40,110
Printing and publications	118	153	0	118	389	2,046	0	2,046	2,435	351
Professional services	0	0	0	0	0	0	0	0	0	58,621
Rent	0	0	0	0	0	87,995	0	87,995	87,995	103,190
Repairs	0	0	62,006	19,796	81,802	0	0	0	81,802	66,261
Salaries	136,006	162,977	34,642	115,851	449,476	160,486	83,903	244,389	693,865	729,137
Special events	0	0	0	0	0	0	0	0	0	7,356
Telephone	990	1,589	252	18,533	21,364	2,938	413	3,351	24,715	24,013
Travel	3,563	1,947	1,139	1,540	8,189	2,586	1,242	3,828	12,017	13,485
Utilities	0	0	6,343	45,949	52,292	0	0	0	52,292	48,665
<b>Total Expenses</b>	<b>\$1,297,804</b>	<b>\$297,552</b>	<b>\$593,669</b>	<b>\$336,859</b>	<b>\$2,525,884</b>	<b>\$410,851</b>	<b>\$118,409</b>	<b>\$529,260</b>	<b>\$3,055,144</b>	<b>\$2,520,746</b>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
Year Ended December 31, 2017  
(With Summarized Financial Information  
at December 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 598,516	\$1,261,445
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In-Kind Donations	0	(430,286)
Provision for bad debt	1,162,719	183,631
Bad debt (recoveries)	(151,131)	(231,759)
Depreciation	119,986	104,155
Forgiveness of debt	(198,858)	(198,857)
Partnership loss	159,130	111,968
Loss on sale of properties held for sale	21,513	246,828
Changes in operating assets and liabilities:		
Decrease in accounts receivable, grants receivable, and prepaid expenses	131,926	511,314
Decrease in due from government agency	214,020	2,239,514
Decrease in developer fee receivable - affiliates	52,971	558,476
Increase (decrease) in accounts payable and accrued expenses	21,002	(2,626,442)
(Decrease) in deferred rents/revenue	<u>(8,866)</u>	<u>(8,765)</u>
Net Cash Provided by Operating Activities	<u>2,122,928</u>	<u>1,721,222</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Decrease in cash restricted	39,849	161,170
Advances to affiliates	(25,215)	(39,340)
Payments from affiliates	50,165	30,000
Decrease in custodial funds	11,644	10,730
Proceeds from sale of property	136,000	1,180,000
(Increase) in construction in progress	(753,449)	(1,070,877)
Advances on notes receivable	(1,379,000)	(1,947,798)
Payments on notes receivable	155,647	435,111
(Increase) decrease in pre-development costs	(222,485)	92,831
Investment in partnerships and other investments	0	(10,000)
Purchase of leasehold improvements	(16,350)	0
Capital Contributions	<u>8,175</u>	<u>149</u>
Net Cash (Used for) Investing Activities	<u>(1,995,019)</u>	<u>(1,158,024)</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Continued)  
Year Ended December 31, 2017  
(With Summarized Financial Information  
at December 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM FINANCING</u>		
(Decrease) in funds held for others	\$ (11,644)	\$ (10,730)
Increase in due to related parties	0	172,659
Proceeds on long-term debt	111,530	761,835
Payments on long-term debt	(195,456)	(226,060)
Increase (decrease) in other liabilities	1,400	(1,200)
Distributions	<u>(296,281)</u>	<u>(601,895)</u>
Net Cash Provided by (Used for) Financing Activities	<u>(390,451)</u>	<u>94,609</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(262,542)	657,807
Cash and Cash Equivalents -		
Beginning of Year	<u>3,545,118</u>	<u>2,887,311</u>
End of Year	<u>\$3,282,576</u>	<u>\$3,545,118</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid during the year for -		
Interest - Net of capitalized amounts	\$ <u>76,581</u>	\$ <u>61,426</u>
Income taxes	\$ <u>0</u>	\$ <u>0</u>
<u>Non-cash Investing and Financing Activities</u>		
Forgiveness of debt	\$ <u>198,858</u>	\$ <u>198,857</u>
In-kind donations	\$ <u>0</u>	\$ <u>430,286</u>
Transfer of properties held for sale to land and buildings	\$ <u>665,000</u>	\$ <u>0</u>
Transfer of construction in progress to land and buildings	\$ <u>0</u>	\$ <u>671,962</u>
Transfer of construction in progress to properties held for sale	\$ <u>613,252</u>	\$ <u>671,507</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017

A. Summary of Significant Accounting Policies

Corporation

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

Program and Supporting Services

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

Program Services:

Real Estate Development - This program includes all costs, excluding capital expenses, associated with developing and preserving affordable real estate for low income families, including both rental units and homes for sale. There are approximately 196 units in the pre-development planning stage and 111 currently under construction.

Home Ownership Promotion - This program consists of costs associated with promoting home ownership including the marketing and sale of newly developed properties, managing a buyer pipeline through a buyer pool development program, and acting as a contract administrator for other agencies by providing professional services regarding their lending programs. Homebuyer services such as mortgage counseling, credit repair and homebuyer training are provided by certain unrelated entities that are under contract with the Corporation. This program created 23 new homeowners through the sale of one home owned by the Corporation and 22 through program administration for other agencies.

Asset and Property Management - This program consists of expenses related to overseeing the management of operating rental properties including individual, multi-family and senior housing as both a direct owner and general partner. There are 1,176 units currently in service.

Community Services - This program encompasses activities focused on improving economic opportunities, health and education for the residents of the Treme/Lafitte and Tulane/Gravier neighborhoods. This program also includes the operation of Sojourner Truth Neighborhood Center with our partner, Enterprise Community Partners, providing case management and programs for low income families. There were 1,412 individuals referred by case managers to support

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2017

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Summary of Significant Accounting Policies (Cont'd)

Program and Supporting Services (Cont'd)

services. There were 84 seniors and 144 children who participated in the senior and youth programs, respectively. There were 31 individuals who secured employment through the job development program.

Supporting Services:

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

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

Basis of Accounting and Presentation

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

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Summary of Significant Accounting Policies (Cont'd)

Basis of Accounting and Presentation (Cont'd)

The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The *Consolidated Statement of Activities* presents activities of the Corporation's operations functionally between program services, management and general, and fund raising. Those expenses which cannot be functionally categorized are allocated among functions based upon management's estimate of usage applicable to conducting those functions.

Limited Liability Companies

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

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

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

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

Noncontrolling Interest

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

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

Noncontrolling Interest (Cont'd)

The other member in Providence Enterprise Orleans, LLC, Lafitte Redevelopment, LLC and Lafitte Senior Housing, LLC is Enterprise New Orleans NT, LLC and in Providence-Builders of Hope, LLC, is Builders of Hope, Inc. Their interests in the partnerships' income is shown as noncontrolling interests. The ownership percentages for the corporations were 50% for 2017.

The other member in Providence Columbia Sacred Heart, LLC is Columbia Sacred Heart, LLC. The other member in Onzaga Development Partners, LLC is New Affordable Housing Partners, LLC. Their interests in the partnerships' income is shown as noncontrolling interests. The ownership percentages for the corporations were 49% for 2017.

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2016 from which the summarized information was derived.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Corporation provides for losses on accounts receivable using the allowance method. The allowance is based on experience, contracts, and knowledge of circumstances that may affect the ability of clients to meet their obligations. Receivables are considered impaired if payments are not received in accordance with the contractual terms. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance for doubtful accounts is \$842 at December 31, 2017.

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

Due from Government Agency represent amounts that have been billed under agency contracts but not collected as of the date of the financial statements. All related receivable balances represent

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Summary of Significant Accounting Policies (Cont'd)

Due from Government Agency and Due from Government Agency -  
Developer Fee (Cont'd)

amounts owed by a local government agency. The receivable balance is stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2017, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Grants Receivable

Grants receivable represent amounts that have been billed under grant agreements but not collected as of the date of the financial statements. The related receivable balance consists of amounts owed by a local government agency and a nonprofit organization. The receivable balance is stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2017, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Construction in Progress

There are three properties that will be rehabilitated for rental or home ownership purposes that are included in construction in progress. All of the properties are currently under construction.

Capital Lease Property and Lease Payable

Capital lease property includes infrastructure construction related to the Lafitte redevelopment site. Management determined that the infrastructure will be dedicated to the City of New Orleans at the end of the agreement, and therefore, has no value on the consolidated statement of financial position. Accordingly, improvements are stated at net realizable value with a valuation allowance of \$5,398,499, which represents the infrastructure cost incurred through December 31, 2017. The amounts included in the accompanying consolidated statement of financial position at December 31, 2017 are as follows:

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

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

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Summary of Significant Accounting Policies (Cont'd)

Property and Equipment

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

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

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

Income Taxes

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

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained on examination. As of December 31, 2017, management of Providence Community Housing and Subsidiaries believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years December 31, 2014 and later remain subject to examination by the taxing authorities.

Cash Equivalents

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

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Summary of Significant Accounting Policies (Cont'd)

Use of Estimates

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

Contributed Services

Donated services are recognized as contributions in accordance with U.S. generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. Volunteers also provided services throughout the year, which are not recognized as contributions in the consolidated financial statements since the recognition criteria under U.S. generally accepted accounting principles were not met. The Corporation did not recognize any donated services in 2017.

Donated Property and Equipment

Donation of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Corporation recognized no donated property in 2017.

Properties Held for Sale

Properties held for sale are recorded at cost when acquired or constructed, with allowances made to reflect the lower of cost or market. The properties held for sale consist of various lots (34) located in the Treme area of the City of New Orleans that will be used in the Lafitte Redevelopment Project. The costs associated with maintaining these properties are included in 'Carrying costs on properties held for sale' on the

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Summary of Significant Accounting Policies (Cont'd)

Properties Held for Sale (Cont'd)

*Consolidated Statement of Functional Expenses* along with any additional construction costs incurred above the market value. In 2017, the Corporation sold properties in the amount of \$136,000. These homes had a cost of \$157,513 associated with them resulting in a loss of \$21,513.

Promises to Give

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

Management Fees

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

Fair Value Measurements

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

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

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

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

Subsequent Events

Subsequent events have been evaluated through June 4, 2018, which is the date the consolidated financial statements were available to be issued.

PROVIDENCE COMMUNITY HOUSING  
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B. Cash Restricted

Certain amounts of cash are restricted for the following purposes:

Escrow deposits	\$ 1,500
Lafitte case management	5,000
Lafitte playground/recreation	497
Lafitte senior services	6,152
Lafitte youth services	9,575
NeighborWorks capital	35,000
Tenant security deposits	<u>8,413</u>
	<u>\$66,137</u>

C. Due from Affiliates

The Corporation has provided assistance to affiliated projects. The following are the balances receivable from these affiliates as of December 31, 2017.

Columbia Sacred Heart, LLC	\$ 49
Delille Inn, LLC - Operating/Pre-development costs	1,234
Lafitte Market Rate Rental, LLC	29,961
Lafitte Treme Oak Place, LLC - Administrative fees (Net of Allowance of \$85,777)	0
New Affordable Housing Partners LLC	<u>49</u>
	<u>\$31,293</u>

The amounts due from affiliates are non-interest bearing, have no repayment terms, and are payable out of surplus cash (if available). During 2017, advances totaled \$25,215 of which \$17,389 was reserved. Payments from affiliates totaled \$50,165.

D. Developer Fee Receivable - Affiliates

The Corporation, through its subsidiary Providence Enterprise Orleans (PEO), is owed a developer fee from Lafitte Market Rental, LLC. This fee will be paid from development funding. During 2017, no payments were received. The balance due at December 31, 2017 is \$532,507.

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Developer Fee Receivable - Affiliates (Cont'd)

The Corporation, through its subsidiary Providence-Builders of Hope, LLC, is owed a developer fee from Lafitte Treme Oak Place, LLC. The developer fee is payable from project surplus cash. During 2017, payments of \$52,971 were received. The balance at December 31, 2017 is \$521,928.

Developer fees, payable from surplus cash (if available), are due from the following projects:

Delille Inn, LLC	\$132,045
Nazareth Inn I, LLC	\$178,615
St. Bakhita Apartments, LLC	\$ 44,545

E. Notes Receivable

It is the Corporation's policy to charge off uncollectible notes receivable when management determines the receivable will not be collected. The following balances are presented net of their allowance for doubtful accounts:

Notes Receivable - Other, Net:

(a) Other notes receivable (Net of \$2,174,328 allowance)	\$ <u>0</u>
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Notes Receivable Affiliates, Net:

(b) Annunciation Inn Apartments, LLC - HOME Fund (Net of \$604,822 allowance)	\$ 26,833
(c) Building 12, LLC - Deferred note - Building (Net of \$145,800 allowance)	270,000
(d) Building 12, LLC - Deferred development	246,639
(e) Delille Inn Apartments, LLC - Deferred development	124,491
(f) Delille Inn Apartments, LLC - HOME Fund (Net of \$510,043 allowance)	0
(g) Nazareth Inn I, LLC - Deferred development	728,699
(h) Nazareth Inn I, LLC - Deferred operating note	553,209
(i) St. Bakhita Apartments, LLC - Green note (Net of \$45,014 allowance)	50,000
(j) St. Bakhita Apartments, LLC - Rent note (Net of \$648,846 allowance)	559,869
(k) St. Bakhita Apartments, LLC - Deferred development	1,742,465
(l) St. John Berchman's Apartments, LLC - HOME Fund (Net of \$1,070,949 allowance)	25,666
(m) St. Ann Square Limited Partnership	704,608
(n) Sacred Heart at St. Bernard, LLC	913,254
(o) Sacred Heart at St. Bernard, LLC (Net of \$991,781 allowance)	<u>0</u>

*Total Notes Receivable - Affiliates* \$5,945,733

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Notes Receivable (Cont'd)

(a) As of December 31, 2017 the Corporation has lent \$2,174,328 to homeowners to acquire properties. These notes are reserved in full.

(b) In May 2009, Annunciation Inn Apartments, LLC signed a promissory note in the amount of \$610,848. The balance of this note is \$604,822 and bears interest at the applicable federal rate of 2.61% at December 31, 2017. This note is due and payable on or before August 1, 2049. The accrued interest due at December 31, 2017 was \$26,833. A total of \$604,822 has been reserved. During 2017, interest payments totaled \$1,431.

(c) In December 2008, Building 12, LLC signed a promissory note to pay the Corporation \$270,000. The note accrues interest at 8%. This note is due and payable in one payment in December 2040 and has accrued interest of \$145,800. A total of \$145,800 has been reserved.

(d) In 2010, Building 12, LLC completed development, and per the development agreement agreed to pay the Corporation \$92,447. The Corporation is owed \$92,447 as a deferred development fee which accrues interest at 8%. In 2012, Building 12, LLC completed additional development and earned an additional \$76,509 of deferred development fees. This loan will be paid from cash flow pursuant to the partnership's operating agreement. The accrued interest on this note is \$77,683.

(e) In May 2008, Delille Inn Apartments, LLC signed a development service agreement to pay the Corporation for developing the project. The deferred development fee is \$65,940 and accrues interest at 8%. This amount is due on or before December 31, 2023. The accrued interest on this note is \$58,551.

(f) In May 2009, Delille Inn Apartments, LLC signed a promissory note in the amount of \$388,826. This note bears interest at the applicable federal rate (2.61% at December 31, 2017). This note is due and payable on or before January 1, 2050. The accrued interest on this note is \$121,217. A total of \$510,043 has been reserved.

(g) In May 2009, Nazareth Inn I, LLC signed a development service agreement to pay the Corporation for developing the project. The deferred development fee is \$544,365 and accrues interest at 8%. This amount is due on or before December 31, 2022. The accrued interest on this note is \$184,334. During 2017, interest payments totaled \$62,963.

(h) In September 2009, Nazareth Inn I, LLC signed a promissory note to pay the Corporation for plumbing improvements. This note is for \$315,000 and accrues interest at 8%. This amount is due on or before October 1, 2049. The accrued interest on this note is \$238,209.

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Notes Receivable (Cont'd)

(i and j) In December 2007, St. Bakhita Apartments, LLC signed two notes to pay the Corporation. The notes are for \$50,000 and \$559,869 and accrue interest at a rate of 8%. These notes are due on or before December 31, 2042. The outstanding balance at December 31, 2017 was \$1,303,729, which includes accrued interest. A total of \$693,860 has been reserved.

(k) In 2009, St. Bakhita Apartments, LLC completed development and per the development service agreement, agreed to pay the Corporation \$1,027,383. This note accrues interest at 8%. This amount is due and payable on or before December 31, 2022. The balance on this note as of December 31, 2017 was \$1,742,465 including accrued interest of \$775,082.

(l) In May 2009, St. John Berchman's Apartments, LLC signed a promissory note in the amount of \$1,284,626. This note bears interest at the applicable federal rate (2.61% at December 31, 2017). This note is due and payable on or before February 1, 2050. The balance on this note as of December 31, 2017 was \$1,078,337 and accrued interest on this note is \$18,278. During 2017, interest and principal payments totaled \$91,253. A total of \$1,070,949 has been reserved.

(m) In June 2016, St. Ann Square Limited Partnership signed a promissory note in the amount of \$650,000. This note bears interest at the 5.50% per year. This balance of the note and unpaid interest is due on July 1, 2018. The balance on this note as of December 31, 2017 was \$704,608 including accrued interest of \$54,608.

(n) In December of 2016, Sacred Heart at St. Bernard, LLC signed a promissory note in the amount of \$876,780. This note bears interest at 4.16% per year. The principal balance of this note and all accrued, but unpaid interest shall be paid annually for a period of thirty-six years beginning on October 1, 2018, solely from the available cash flow under the operating agreement, and the principal balance and all accrued, but unpaid interest shall be due and payable on October 1, 2054. The balance on this note as of December 31, 2017 was \$913,254, including accrued interest of \$36,474.

(o) During 2017, Sacred Heart at St. Bernard, LLC signed a promissory note in the amount of \$1,145,621. This note bears interest at 5% per year. The principal balance of this note and all accrued, but unpaid interest shall be paid annually for a period of thirty-six years beginning on October 1, 2018, solely from the available cash flow under the operating agreement, and the principal balance and all accrued, but unpaid interest shall be due and payable on October 1, 2054. The balance on this note as of December 31, 2017 was \$991,781, including accrued interest of \$20,099. A total of \$991,781 has been reserved.

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F. Long-Term Debt

	<u>Mortgage</u>	<u>Forgivable Loan</u>	<u>Surplus Cash</u>
(a) Enterprise Community Partners	\$ 17,613	\$ 0	\$ 0
(b) Iberia Bank	675,024	0	0
(c) Louisiana Housing Finance Agency	0	0	4,141,923
(d) Enterprise Community Partners	6,062	0	0
(e) State of Louisiana	0	1,312,525	0
(f) New Orleans Redevelopment Authority	47,940	0	0
(g) Archdiocese of New Orleans	<u>650,000</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$1,396,639</u>	<u>\$1,312,525</u>	<u>\$4,141,923</u>

(a) In 2014, the debt agreement with Enterprise Community Partners was converted to a 4-year amortizing loan due March 2018. This loan is non-interest bearing and is unsecured.

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

(c) In December 2007, the Corporation assumed a loan from UJAMAA Community Development Corporation and entered into an agreement with the Louisiana Housing Finance Agency for \$3,032,669. This amount includes a principal balance of \$2,750,047. Total accrued interest on this loan is \$1,391,876. This loan bears interest at a rate of 4% and is payable from surplus cash generated by property owned by the Corporation with the first payment from excess cash flow from Building 12, LLC with all unpaid principal and interest due April 2038. This loan is collateralized by real estate.

(d) In 2015 the debt agreement with Enterprise Community Partners was converted to a 4-year amortizing loan due March 2018. This loan is non-interest bearing and is unsecured.

(e) Beginning in 2011, the Corporation entered into forgivable debt agreements with the State of Louisiana. The agreements are non-interest bearing. The debt is forgivable at 10% per year once the property meets the State of Louisiana's affordability criteria. During 2017, \$198,858 of this debt was forgiven.

(f) In 2009, the Corporation entered into agreements with the New Orleans Redevelopment Authority for \$226,800. \$172,800 was to be repaid upon the sale of properties and \$54,000 is due October 16, 2024. The notes are non-interest bearing and the balance of these loans as of December 31, 2017 was \$47,940.

(g) In June 2016, the Corporation entered into a debt agreement with the Archdiocese of New Orleans for \$650,000. The loan is collateralized by real estate and bears interest at 5.50% due monthly. The debt matures on July 1, 2018.

PROVIDENCE COMMUNITY HOUSING  
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Long Term Debt (Cont'd)

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

2018		\$ 720,723
2019		49,865
2020		52,756
2021		56,011
2022		59,365
Thereafter		<u>5,912,367</u>
		<u>\$6,851,087</u>

G. Deferred Rents/Revenue

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

H. Net Assets

The following are the changes in net assets:

	<u>Unrestricted Net Assets</u>			Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
	<u>Controlling</u>	<u>Noncontrolling</u>	<u>Total</u>			
Beginning of year	\$11,516,446	\$1,047,808	\$12,564,254	\$123,179	\$1,111,500	\$13,798,933
Contributions	0	8,175	8,175	0	0	8,175
Distributions	0	(296,281)	(296,281)	0	0	(296,281)
Change in Net Assets	<u>541,911</u>	<u>158,560</u>	<u>700,471</u>	<u>(101,955)</u>	<u>0</u>	<u>598,516</u>
End of year	<u>\$12,058,357</u>	<u>\$ 918,262</u>	<u>\$12,976,619</u>	<u>\$ 21,224</u>	<u>\$1,111,500</u>	<u>\$14,109,343</u>

PROVIDENCE COMMUNITY HOUSING  
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I. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2017:

Lafitte playground	\$ 497
Lafitte senior services	6,152
Lafitte youth services	9,575
Lafitte case management	<u>5,000</u>
	<u>\$21,224</u>

The following temporarily restricted net assets were released from restrictions during 2017 due to the satisfaction of donor restrictions:

Housing programs	\$105,416
Lafitte youth services	16,350
Lafitte senior services	8,848
NewCity activities	<u>2,266</u>
	<u>\$132,880</u>

J. Permanently Restricted Net Assets

The Corporation has permanently restricted net assets of \$1,111,500 of which \$509,045 is invested in land and buildings, \$567,455 is in notes receivable and \$35,000 is in restricted cash (See Notes B and K).

K. NeighborWorks America Grants

The following grants were in effect during the year ended 2017 from NeighborWorks America.

*Unrestricted Support*

NeighborWorks America provided \$519,209 of expendable grants during the year to support program activities.

*Permanently Restricted Support*

NeighborWorks America provided no capital grants during the year for capital projects. If present, these amounts are permanently restricted although proceeds on capital projects, or interest earned, over and above the corpus may be transferred to unrestricted net assets for furthering the Corporation's mission. However, should the Corporation become defunct, all remaining grant funds, interest earnings, capital project proceeds, and the capital projects portfolios representing the use of these funds will revert to NeighborWorks America.

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L. Leasing Arrangements

The Corporation leases commercial space on a month-to-month basis. Rent expense for the year was \$87,995.

M. Related Party Transactions

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

N. Concentrations

Included in revenue are grants totaling \$1,361,748 (37%) received from the City of New Orleans.

The Corporation may be subject to credit risk to its cash and cash equivalent investments, which are placed with high credit-quality financial institutions. From time to time, the Corporation may have amounts on deposit in excess of the FDIC \$250,000 limit. Management believes the Corporation is not exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2017, the Corporation has approximately \$2,656,996 in cash and cash equivalents in excess of the FDIC \$250,000 limit. The Corporation has not experienced any losses on its cash and cash equivalents.

O. Investments in Partnerships and Other Investments

The Corporation has elected to report its Investments in Partnerships and Other Investments using the equity method or a cost-based measure. They consist of the following:

Managing Members:

Lafitte Treme - Oak Place, LLC	\$ 720,908	
Nazareth Inn I, LLC	414,140	
Other partnerships	<u>(1,411)</u>	\$1,133,637

Limited Partner

St. Ann Square, Limited Partnership		159,247
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Other Investments

Enterprise loan program		<u>31,245</u>
		<u>\$1,324,129</u>

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

	<u>Lafitte Treme Oak Place, LLC</u>	<u>Nazareth Inn I, LLC</u>
Total Assets	<u>\$11,579,067</u>	<u>\$13,833,539</u>
Total Liabilities	<u>\$ 2,564,047</u>	<u>\$ 9,542,856</u>
Total Change in Net Assets	<u>\$ (356,391)</u>	<u>\$ (407,941)</u>

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2017

P. Fair Value

Fair values of assets and liabilities measured on a recurring basis at December 31, 2017 are as follows:

	Fair Value Measurements at Reporting Date Using:		
	Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Notes receivable - Affiliates	<u>\$5,945,733</u>	<u>\$_____0</u>	<u>\$5,945,733</u>
Liabilities:			
Long-term debt	<u>\$6,851,087</u>	<u>\$6,851,087</u>	<u>\$_____0</u>

Management estimates the fair value of the notes receivable and the long-term debt approximates the carrying value by reference to similar assets and liabilities with similar interest rates and repayment terms.

Fair value measurements at December 31, 2017 using significant unobservable inputs (Level 3):

Assets - Notes receivable - Affilates:	
Beginning Balance	\$5,700,173
Additions/Advances	1,463,106
Deductions/Payments	<u>(1,217,546)</u>
Ending Balance	<u>\$5,945,733</u>

Q. Custodial Funds

The Corporation is holding funds of \$2,214 for UJAMAA.

R. Commitments, Contingencies, and Guarantees

Government grants awarded but not yet earned as of December 31, 2017 were \$178,270. Accordingly, they have not been recorded in these consolidated financial statements.

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

The Corporation has operating deficit guarantees for the various projects that they are the managing member. No amounts were required for the year ended December 31, 2017.

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2017

Commitments, Contingencies, and Guarantees (Cont'd)

The Corporation and another related corporation guaranteed a loan from the Louisiana Housing Corporation to Sacred Heart at St. Bernard, LLC, a related party, of \$400,000. No amounts were outstanding at December 31, 2017.

The Corporation and another related corporation guaranteed a bank construction loan for Sacred Heart at St. Bernard, LLC, a related party, of \$7,224,088. At December 31, 2017, \$1,600,420 was outstanding.

In 2016, the Corporation and another unrelated corporation signed an operating deficit and completion guaranty agreement for the benefit of the State of Louisiana for the Artspace Bell School Project. The guarantee obligates any of the corporations to perform as necessary in order to ensure that the scope of the project is completed as anticipated. The amount of the guarantee is 3,711,649. As of December 31, 2017, \$3,526,067 has been drawn on the project.

S. Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to confirm with the presentation in the current year financial statements.

SUPPLEMENTARY INFORMATION

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
DECEMBER 31, 2017

	PCH Sacred Heart at St. Bernard, LLC and Subsidiary				
	PCH Sacred Heart at St. Bernard, LLC	Providence Columbia Sacred Heart, LLC	TOTAL	Providence Community Housing	General Partners Total *
<b>ASSETS</b>					
<u>Current Assets</u>					
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 2,891,682	\$ 0
Accounts receivable, Net	0	0	0	744	0
Due from government agency	0	0	0	0	0
Due from government agency - Developer fees	0	0	0	0	0
Grants receivable	0	0	0	101,017	0
Prepaid expenses	0	0	0	41,290	0
<i>Total Current Assets</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,034,733</u>	<u>0</u>
<u>Property and Equipment</u>					
Land	0	0	0	3,308,853	0
Buildings	0	0	0	5,185,651	0
Office furniture and equipment	0	0	0	203,206	0
	0	0	0	8,697,710	0
Less: Accumulated depreciation	0	0	0	586,167	0
<i>Total Property and Equipment</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,111,543</u>	<u>0</u>
<u>Other Assets</u>					
Cash restricted	0	0	0	44,913	0
Properties held for sale	0	0	0	788,020	0
Due from affiliates, Net	51	100	151	160,047	0
Deposits	0	0	0	9,444	0
Developer fee receivable-Affiliates, Net	0	0	0	355,205	0
Notes receivable - Other, Net	0	0	0	0	0
Notes receivable - Affiliates, Net	0	913,254	913,254	6,556,600	0
Custodial funds	0	0	0	2,214	0
Construction in progress	0	0	0	289,487	0
Capital lease property, Net	0	0	0	0	0
Investments in partnerships	51	820,000	820,051	2,235,649	1,133,586
Pre-development costs	0	0	0	254,455	0
<i>Total Other Assets</i>	<u>102</u>	<u>1,733,354</u>	<u>1,733,456</u>	<u>10,696,034</u>	<u>1,133,586</u>
<i>Total Assets</i>	<u>\$ 102</u>	<u>\$ 1,733,354</u>	<u>\$ 1,733,456</u>	<u>\$ 21,842,310</u>	<u>\$ 1,133,586</u>

\* General partners represents the activities of the following:

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

Lafitte Redevelop- ment, LLC	Providence Enterprise Orleans, LLC	Providence Builders of Hope, LLC	Lafitte Senior Housing, LLC	Onzaga Development Partners, LLC	PCH St. Ann Square, LLC	Total	Eliminations	Consolidated Total
\$ 4,078	\$ 324,484	\$ 0	\$ 62,332	\$ 0	\$ 0	\$ 3,282,576	\$ 0	\$ 3,282,576
0	0	0	0	0	0	744	0	744
42,765	0	0	0	0	0	42,765	0	42,765
0	0	0	294,957	0	0	294,957	0	294,957
0	0	0	0	0	0	101,017	0	101,017
867	3,013	0	0	0	0	45,170	0	45,170
47,710	327,497	0	357,289	0	0	3,767,229	0	3,767,229
0	0	0	0	0	0	3,308,853	0	3,308,853
16,350	0	0	0	0	0	5,202,001	0	5,202,001
0	0	0	0	0	0	203,206	0	203,206
16,350	0	0	0	0	0	8,714,060	0	8,714,060
0	0	0	0	0	0	586,167	0	586,167
16,350	0	0	0	0	0	8,127,893	0	8,127,893
0	21,224	0	0	0	0	66,137	0	66,137
0	0	0	0	0	0	788,020	0	788,020
0	0	0	0	100	0	160,298	(129,005)	31,293
0	0	0	0	0	0	9,444	0	9,444
0	532,507	521,928	0	0	0	1,409,640	0	1,409,640
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	7,469,854	(1,524,121)	5,945,733
0	0	0	0	0	0	2,214	0	2,214
138,740	0	0	0	0	0	428,227	0	428,227
272,835	0	0	0	0	0	272,835	0	272,835
0	0	0	0	0	159,247	4,348,533	(3,024,404)	1,324,129
0	0	0	0	0	0	254,455	0	254,455
411,575	553,731	521,928	0	100	159,247	15,209,657	(4,677,530)	10,532,127
\$ 475,635	\$ 881,228	\$ 521,928	\$ 357,289	\$ 100	\$ 159,247	\$ 27,104,779	\$ (4,677,530)	\$ 22,427,249

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
(Continued)  
DECEMBER 31, 2017

	PCH Sacred Heart at St. Bernard, LLC and Subsidiary				
	PCH Sacred Heart at St. Bernard, LLC	Providence Columbia Sacred Heart, LLC	TOTAL	Providence Community Housing	General Partners Total *
<u>LIABILITIES AND NET ASSETS</u>					
<u>Current Liabilities</u>					
Accounts Payable and other accrued expenses	\$ 0	\$ 0	\$ 0	\$ 59,323	\$ 0
Construction payable	0	0	0	0	0
Accrued wages and vacation	0	0	0	25,385	0
Long-term debt due within one year	0	0	0	720,723	0
<i>Total Current Liabilities</i>	0	0	0	805,431	0
<u>Other Liabilities</u>					
Accounts payable - Other	0	0	0	98,993	0
Due to related parties	51	1,696,780	1,696,831	102	1,135,662
Funds held for others	0	0	0	2,214	0
Other liabilities	0	0	0	9,410	0
Deferred rents/revenue	0	0	0	786,788	0
Lease payable	0	0	0	0	0
Long-term debt, less current portion	0	0	0	6,130,364	0
<i>Total Other Liabilities</i>	51	1,696,780	1,696,831	7,027,871	1,135,662
<i>Total Liabilities</i>	51	1,696,780	1,696,831	7,833,302	1,135,662
<u>Net Assets</u>					
Unrestricted:					
Controlling interest	51	18,653	18,704	12,897,508	(2,076)
Noncontrolling interest	0	17,921	17,921	0	0
<i>Total Unrestricted</i>	51	36,574	36,625	12,897,508	(2,076)
Temporarily restricted	0	0	0	0	0
Permanently restricted	0	0	0	1,111,500	0
<i>Total Net Assets</i>	51	36,574	36,625	14,009,008	(2,076)
<i>Total Liabilities and Net Assets</i>	\$ 102	\$ 1,733,354	\$ 1,733,456	\$ 21,842,310	\$ 1,133,586

\* General partners represents the activities of the following:

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

Lafitte Redevelop- ment, LLC	Providence Enterprise Orleans, LLC	Providence Builders of Hope, LLC	Lafitte Senior Housing, LLC	Onzaga Development Partners, LLC	PCH St. Ann Square, LLC	Total	Eliminations	Consolidated Total
\$ 38,938	\$ 274	\$ 0	\$ 0	\$ 0	\$ 0	\$ 98,535	\$ 0	\$ 98,535
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	25,385	0	25,385
0	0	0	0	0	0	720,723	0	720,723
38,938	274	0	0	0	0	844,643	0	844,643
0	0	0	0	0	0	98,993	0	98,993
0	128,852	0	0	0	0	2,961,447	(2,788,788)	172,659
0	0	0	0	0	0	2,214	0	2,214
0	0	0	0	0	0	9,410	0	9,410
0	0	0	0	0	0	786,788	0	786,788
272,835	0	0	0	0	0	272,835	0	272,835
0	0	0	0	0	0	6,130,364	0	6,130,364
272,835	128,852	0	0	0	0	10,262,051	(2,788,788)	7,473,263
311,773	129,126	0	0	0	0	11,106,694	(2,788,788)	8,317,906
81,931	352,128	260,962	178,644	51	159,247	13,947,099	(1,888,742)	12,058,357
81,931	378,750	260,966	178,645	49	0	918,262	0	918,262
163,862	730,878	521,928	357,289	100	159,247	14,865,361	(1,888,742)	12,976,619
0	21,224	0	0	0	0	21,224	0	21,224
0	0	0	0	0	0	1,111,500	0	1,111,500
163,862	752,102	521,928	357,289	100	159,247	15,998,085	(1,888,742)	14,109,343
\$ 475,635	\$ 881,228	\$ 521,928	\$ 357,289	\$ 100	\$ 159,247	\$ 27,104,779	\$ (4,677,530)	\$ 22,427,249

PROVIDENCE COMMUNITY HOUSING AND SUBSIDIARIES  
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2017

	PCH Sacred Heart at St. Bernard, LLC and Subsidiary				
	PCH Sacred Heart at St. Bernard, LLC	Providence Columbia Sacred Heart, LLC	Total	Providence Community Housing	General Partners Total *
<b>REVENUE, SUPPORT, GAINS AND LOSSES</b>					
Individual/business contributions	\$ 0	\$ 0	\$ 0	\$ 18,795	\$ 0
Grants	0	0	0	2,327,023	0
Interest	0	36,473	36,473	455,514	0
Development fees	0	0	0	0	0
Rents	0	0	0	268,373	0
In-kind donations	0	0	0	0	0
Miscellaneous	0	0	0	24,088	0
Partnership income (loss)	0	0	0	161	(253)
Program services fees	0	0	0	31,499	0
Gain (loss) on sale of assets	0	0	0	(21,513)	0
Bad debt recoveries	0	0	0	151,131	0
Special event income	0	0	0	0	0
<i>Total Revenue, Support, Gains and Losses</i>	0	36,473	36,473	3,255,071	(253)
<b>EXPENSES</b>					
Program Services:					
Real estate development	0	0	0	1,283,817	0
Home ownership promotion	0	0	0	297,552	0
Asset management	0	0	0	593,669	0
Community services	0	0	0	110,817	0
	0	0	0	2,285,855	0
Support Services:					
Management and general	0	0	0	410,851	0
Fund raising	0	0	0	118,409	0
	0	0	0	529,260	0
<i>Total Expenses</i>	0	0	0	2,815,115	0
Change in Net Assets	0	36,473	36,473	439,956	(253)
Less: Change in net assets attributed to Noncontrolling interest	0	(17,872)	(17,872)	0	0
Change in Net Assets, Controlling interest	0	18,601	18,601	439,956	(253)
Net Assets					
Controlling interest - Beginning of Year	51	51	102	13,569,052	(1,823)
Contributions	0	0	0	0	0
Distributions	0	0	0	0	0
Net Assets					
Controlling interest - End of Year	\$ 51	\$ 18,652	\$ 18,703	\$ 14,009,008	\$ (2,076)

\* General partners represents the activities of the following:

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

Lafitte Redevelopment, LLC	Providence Enterprise Orleans, LLC	Providence Builders of Hope, LLC	Lafitte Senior Housing, LLC	Onzaga Development Partners, LLC	PCH St. Ann Square, LLC	Total	Eliminations	Consolidated Total
\$ 0	\$ 11,227	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,022	\$ (10,977)	\$ 19,045
6,156	198,508	0	0	0	0	2,531,687	(68,256)	2,463,431
0	0	0	0	0	0	491,987		491,987
0	0	0	294,957	0	0	294,957		294,957
0	0	0	0	0	0	268,373		268,373
0	0	0	0	0	0	0		0
0	43,750	0	1,577	0	0	69,415		69,415
0	0	0	0	0	(158,877)	(158,969)	(161)	(159,130)
8,045	44,465	0	0	0	0	84,009	(8,045)	75,964
0	0	0	0	0	0	(21,513)		(21,513)
0	0	0	0	0	0	151,131		151,131
0	0	0	0	0	0	0		0
14,201	297,950	0	296,534	0	(158,877)	3,741,099	(87,439)	3,653,660
12,549	0	0	1,438	0	0	1,297,804	0	1,297,804
0	0	0	0	0	0	297,552	0	297,552
0	0	0	0	0	0	593,669	0	593,669
8,045	305,275	0	0	0	0	424,137	(87,278)	336,859
20,594	305,275	0	1,438	0	0	2,613,162	(87,278)	2,525,884
0	0	0	0	0	0	410,851	0	410,851
0	0	0	0	0	0	118,409		118,409
0	0	0	0	0	0	529,260	0	529,260
20,594	305,275	0	1,438	0	0	3,142,422	(87,278)	3,055,144
(6,393)	(7,325)	0	295,096	0	(158,877)	598,677	(161)	598,516
3,197	3,663	0	(147,548)	0	0	(158,560)	0	(158,560)
(3,196)	(3,662)	0	147,548	0	(158,877)	440,117	(161)	439,956
76,952	385,189	287,449	292,721	51	318,124	14,927,817	(2,176,692)	12,751,125
8,175	0	0	0	0	0	8,175	(8,175)	0
0	(8,175)	(26,487)	(261,624)	0	0	(296,286)	296,286	0
\$ 81,931	\$ 373,352	\$ 260,962	\$ 178,645	\$ 51	\$ 159,247	\$ 15,079,823	\$ (1,888,742)	\$ 13,191,081

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NEIGHBORWORKS AMERICA  
SCHEDULE OF FINANCIAL POSITION - CAPITAL FUND  
DECEMBER 31, 2017

ASSETS

Cash restricted	\$ 35,000
Land and buildings	509,045
Notes receivable - Real estate	<u>567,455</u>

*TOTAL ASSETS* \$1,111,500

NET ASSETS

Permanently restricted	<u>\$1,111,500</u>
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*TOTAL NET ASSETS* \$1,111,500

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NEIGHBORWORKS AMERICA  
SCHEDULE OF ACTIVITIES - CAPITAL FUND  
YEAR ENDED DECEMBER 31, 2017

REVENUES, GAINS, OTHER SUPPORT AND RELEASE OF CAPITAL:

Capital Grant-NeighborWorks America-beginning balance	\$1,111,500
Additions	0
Released	<u>0</u>
Permanently restricted net assets at end of year	<u>\$1,111,500</u>

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO THE CHIEF EXECUTIVE OFFICER  
FROM PUBLIC FUNDS  
YEAR ENDED DECEMBER 31, 2017

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

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017

<u>Federal Grantor/Program Title</u> <u>Pass-Through Grantors</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass-through</u> <u>Entity</u> <u>Identifying</u> <u>Number</u>	<u>Passed</u> <u>Through</u> <u>to Sub-</u> <u>recipients</u>	<u>Federal</u> <u>Expend-</u> <u>itures</u>
U.S. Department of Housing and Urban Development:				
Passed through the City of New Orleans				
Home Investment Partnerships Program	14.239			
		HOME 2011-001		\$ 390,065
		HOME 2015-006		<u>971,683</u>
				<u>1,361,748</u>
Passed through State of Louisiana Community Development Block Grants/ State Program and non-entitlement Grants in Hawaii (Recovery Act Funded)				
	14.228	B-06-DG-22-002	\$40,000	<u>90,000</u>
Passed through Enterprise Community Partners				
Capacity Building for Community Development and Affordable Housing	14.252			
		15SG0068		5,756
		16SG0404		32,301
		17RG6049		25,000
		17SF0851		<u>38,776</u>
				<u>101,833</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>40,000</u>	<u>1,553,581</u>
U.S. Department of Treasury:				
Passed through NeighborWorks America				
	21.000			<u>519,209</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$40,000</u>	<u>\$2,072,790</u>

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017

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A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Providence Community Housing and Subsidiaries under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Providence Community Housing and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Providence Community Housing and Subsidiaries.

B. Summary of Significant Accounting Policies

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

C. Indirect Costs

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

**PACIERA, GAUTREAU & PRIEST, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

3209 RIDGELAKE DRIVE, SUITE 200

METAIRIE, LA 70002

(504) 486-5573

FAX (504) 486-6091

www.pgpcpa.com

KIRTH M. PACIERA, C.P.A.  
RENE G. GAUTREAU, C.P.A.  
TIMOTHY L. PRIEST, C.P.A.

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Providence Community Housing and Subsidiaries (a nonprofit organization) (the "Corporation"), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 4, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Metairie, Louisiana  
June 4, 2018

**PACIERA, GAUTREAU & PRIEST, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

3209 RIDGELAKE DRIVE, SUITE 200

METAIRIE, LA 70002

(504) 486-5573

FAX (504) 486-6091

www.pgpcpa.com

KIRTH M. PACIERA, C.P.A.  
RENE G. GAUTREAU, C.P.A.  
TIMOTHY L. PRIEST, C.P.A.

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

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

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

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

Report on Compliance for Each Major Federal Program

We have audited Providence Community Housing and Subsidiaries' (a nonprofit organization) (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2017. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

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

*Paciera, Gautreau & Priest, LLC*

Metairie, Louisiana  
June 4, 2018

**PACIERA, GAUTREAU & PRIEST, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2017

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**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

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

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

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

Identification of major program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnerships Program

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

Auditee qualified as low-risk auditee?  Yes  No

PROVIDENCE COMMUNITY HOUSING  
AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)  
YEAR ENDED DECEMBER 31, 2017

**Section II - Financial Statement Findings**

No matters are reportable.

**Section III - Federal Award Findings and Questioned Costs**

No matters are reportable.

**PACIERA, GAUTREAU & PRIEST, LLC**

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INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Providence Community Housing and Subsidiaries (the "Corporation") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the period January 1, 2017 through December 31, 2017. The Corporation's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the Corporation and LLA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

**Written Policies and Procedures:**

**Procedure 1:** Obtained the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
- b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and 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.

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

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- c) **Disbursements**, including processing, reviewing, and approving the disbursement.
- d) **Receipts**, including receiving, recording, and preparing deposits.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Results:** No exceptions were noted as a result of applying these procedures. Note: Ethics and Debt Service requirements are not applicable.

**Board (or Finance Committee, if applicable):**

**Procedure 2:** Obtained and reviewed the board/committee minutes for the fiscal period, and:

- a) Reported whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

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

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- b) Reported whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
  - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
- c) Reported whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

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

**Bank Reconciliations:**

**Procedure 3:** Obtained a listing of client bank accounts from management and management's representation that the listing is complete.

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

**Procedure 4:** Used the listing provided by management, selected all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtained bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

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

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

**Page 4**

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

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

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

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

**Collections:**

**Procedure 5:** Obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

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

**Procedure 6:** Used the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each cash collection location selected:

- a) Obtained existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

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

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

**Page 5**

- b) Obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

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

- c) Selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Used entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
- Used sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

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

**Procedure 7:** Obtained existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

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

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

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Disbursements - General (excluding credit card/debit card/fuel  
card/P-Card purchases or payments):

**Procedure 8:** Obtained a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtained management's representation that the listing or general ledger population is complete.

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

**Procedure 9:** Used the disbursement population from procedure 8 above, randomly selected 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and reported whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

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

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

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

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

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

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

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**Procedure 10:** Used entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

**Results:** The person responsible for processing payments is also able to add vendors to the entity's purchasing/disbursement system.

**Management's Response:** The entity currently has only ten full time employees, two of which work in the accounting area. Due to the entity's limited staffing it is not feasible or cost effective to have the function of adding vendors performed by a separate individual.

The mitigating factors concerning this issue are:

The addition of new vendors to the accounting system is not a common occurrence and the person responsible for processing payments and adding vendors does not initiate any transactions. These requests come from department heads which have been reviewed and approved prior to being submitted for payment to accounting, including obtaining all required information for any new vendors (i.e. W-9's, insurance, etc.)

Before any payments are processed, all transactions are reviewed and approved by the CFO, including any new vendor information. Additionally, the transactions are also reviewed and approved by the CEO before signing and releasing any vendor payments.

**Procedure 11:** Used entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

**Results:** The person with signatory authority can initiate purchases.

**Management's Response:** The entity's CEO is the only employee that has signatory authority for payments. For a very limited number of transactions, the CEO is required to initiate purchases. An example is the reimbursement of approved entity business expenses incurred

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

**Page 8**

by the CEO. The majority of purchases for the organization are initiated by other entity department personnel.

The mitigating factors concerning this issue are:

All payments, including those initiated by the CEO, are subject to two other levels of review for priority and accuracy before any payments are processed. The assistant director of finance is responsible for entering and processing the payments and the CFO reviews all transactions prior to the release of any payments.

Additionally, the entity has an undocumented expense reimbursement procedure that has been performed for expense reimbursements to the CEO. They are reviewed and signed by either the Chairman or Vice Chairman of the entity's board of directors. We have added these undocumented procedures to our expense reimbursement procedures for 2018.

**Procedure 12:** Inquired of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, reviewed entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

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

**Procedure 13:** If a signature stamp or signature machine is used, inquired of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

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

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

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

**Procedure 14:** Obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtained management's representation that the listing is complete.

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

**Procedure 15:** Used the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Selected the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, selected the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Reported whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

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

- b) Reported whether finance charges and/or late fees were assessed on the selected statements.

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

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

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**Procedure 16:** Used the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
- An original itemized receipt (i.e., identifies precisely what was purchased)
  - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
  - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

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

- b) For each transaction, compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and reported any exceptions.

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

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

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

**Travel and Expense Reimbursement:**

**Procedure 17:** Obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtained management's representation that the listing or general ledger is complete.

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

**Procedure 18:** Obtained the entity's written policies related to travel and expense reimbursements. Compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

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

**Procedure 19:** Used the listing or general ledger from procedure 17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compared expense documentation to written policies and reported whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity did not have written policies, compared to the GSA rates (#18 above) and reported each reimbursement that exceeded those rates.

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

- b) Reported whether each expense was supported by:
  - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

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

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- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

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

- c) Compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and reported any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precluded or obscured a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

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

- d) Reported whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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

**Contracts:**

**Procedure 20:** Obtained a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtained management's representation that the listing or general ledger is complete.

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

To the Board of Directors of Providence Community Housing and  
Subsidiaries and the Louisiana Legislative Auditor  
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**Procedure 21:** Used the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtained the related contracts and paid invoices and:

- a) Reported whether there was a formal/written contract that supported the services arrangement and the amount paid.

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

- b) Compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. Reported whether each contract was subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

**Results:** No exceptions were noted as a result of applying these procedures to the formal/written contracts.

- c) Reported whether the contract was amended. If so, reported the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

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

- d) Selected the largest payment from each of the five contracts, obtained the supporting invoice, compare the invoice to the contract terms, and reported whether the invoice and related payment complied with the terms and conditions of the contract.

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

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

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- e) Obtained/reviewed contract documentation and board minutes and reported whether there was documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

**Results:** Not applicable, board approval is not required by policy or law.

**Payroll and Personnel:**

**Procedure 22:** Obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing is complete. Randomly selected five employees/officials, obtained their personnel files, and:

- a) Reviewed compensation paid to each employee during the fiscal period and reported whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

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

- b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

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

**Procedure 23:** Obtained attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly selected 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Reported whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is

**To the Board of Directors of Providence Community Housing and  
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earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

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

b) Reported whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

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

c) Reported whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

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

**Procedure 24:** Obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

**Results:** Not applicable - No terminated employees during the fiscal period.

**Procedure 25:** Obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

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

**Ethics (excluding nonprofits):**

**Procedure 26:** Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

**Results:** Not Applicable - the entity is a nonprofit.

**Procedure 27:** Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether the management's actions complied with the entity's ethics policy. Report whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

**Results:** Not Applicable - the entity is a nonprofit.

**Debt Service (excluding nonprofits):**

**Procedure 28:** If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

**Results:** Not Applicable - the entity is a nonprofit.

**Procedure 29:** If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

**Results:** Not Applicable - the entity is a nonprofit.

**Procedure 30:** If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal year. Also, report any millages that continue to be received for debt that has been paid off.

**Results:** Not Applicable - the entity is a nonprofit.

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Other:

**Procedure 31:** Inquired of management whether the entity had any misappropriations of public funds or assets. If so, obtained/reviewed supporting documentation and reported whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

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

**Procedure 32:** Observed and reported whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

**Procedure 33:** If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, reported the nature of each exception.

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Sacera, Lantier, & Pugh, LLC*

Metairie, Louisiana  
June 4, 2018