
GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Gulf Coast Housing Partnership, Inc. and its subsidiaries (GCHP), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gulf Coast Housing Partnership, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Gulf Coast Housing Partnership, Inc.'s basic financial statements. The supplementary information included in Schedules 1 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information included in Schedule 1 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2016, on our consideration of GCHP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the GCHP's internal control over financial reporting and compliance.

Postlethwaite + Netterville

Metairie, Louisiana
April 25, 2016

GULF COAST HOUSING PARTNERSHIP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	<u>Assets</u>	
	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 2,232,153	\$ 2,768,273
Receivables	1,516,606	1,032,207
Prepays	380,887	195,075
Restricted cash and cash equivalents	7,949,949	1,677,538
Total current assets	<u>12,079,595</u>	<u>5,673,093</u>
Restricted cash and cash equivalents	<u>6,531,757</u>	<u>14,310,647</u>
Real estate held for development and sale	<u>9,220,598</u>	<u>6,787,332</u>
Property and equipment		
Property and equipment, net of accumulated depreciation	92,492,012	66,120,781
Construction in progress	8,747,548	6,961,723
Total property and equipment, net of accumulated depreciation	<u>101,239,560</u>	<u>73,082,504</u>
Other assets	2,882,465	1,805,294
Investment in partnerships	1,201,784	1,214,613
Developer fee receivable	411,518	522,477
Notes receivable	<u>13,924,216</u>	<u>12,998,604</u>
Total assets	<u>\$ 147,491,493</u>	<u>\$ 116,394,564</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 331,003	\$ 111,393
Current maturities of long-term debt	5,824,852	1,061,448
Construction loans payable	8,344,745	12,378,238
Construction costs payable	2,659,838	1,866,280
Management fees payable-related party	85,108	92,230
Other payables	415,819	385,819
Total current liabilities	<u>17,661,365</u>	<u>15,895,408</u>
Long-term liabilities		
Deferred revenue	3,125,307	3,852,107
Other long-term payable	306,546	277,819
Long-term debt, less current maturities	72,793,201	64,518,415
Total long-term liabilities	<u>76,225,054</u>	<u>68,648,341</u>
Total liabilities	<u>93,886,419</u>	<u>84,543,749</u>
Net assets		
Unrestricted:		
GCHP	24,504,850	22,000,841
Non-controlling interests in subsidiaries	28,850,168	9,599,918
Total unrestricted net assets	<u>53,355,018</u>	<u>31,600,759</u>
Temporarily restricted	250,056	250,056
Net assets	<u>53,605,074</u>	<u>31,850,815</u>
Total liabilities and net assets	<u>\$ 147,491,493</u>	<u>\$ 116,394,564</u>

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Contributions, donations, and grants	\$ 1,744,249	\$ -	\$ 1,744,249	\$ 1,411,749	\$ -	\$ 1,411,749
Development fees	2,145,188	-	2,145,188	2,400,431	-	2,400,431
Property operations rental income	3,102,034	-	3,102,034	1,965,444	-	1,965,444
Federal grants	1,160,262	-	1,160,262	1,076,120	-	1,076,120
Forgiveness of debt	745,314	-	745,314	745,314	-	745,314
Interest income	134,726	-	134,726	346,733	-	346,733
Management fees	108,828	-	108,828	46,335	-	46,335
Rental income	256,837	-	256,837	106,507	-	106,507
Interest income on cash and cash equivalents	41,247	-	41,247	34,940	-	34,940
Miscellaneous revenue	107,561	-	107,561	27,070	-	27,070
Net assets released from restrictions	-	-	-	1,324,159	(1,324,159)	-
Total support and revenue	9,546,246	-	9,546,246	9,484,802	(1,324,159)	8,160,643
Expenses:						
Salaries and benefits	2,058,943	-	2,058,943	1,887,876	-	1,887,876
Depreciation and amortization	2,501,563	-	2,501,563	1,750,727	-	1,750,727
Property operating expense	2,332,676	-	2,332,676	1,774,287	-	1,774,287
Interest expense	914,155	-	914,155	946,109	-	946,109
Administrative	521,002	-	521,002	449,987	-	449,987
Incentive management fee	85,108	-	85,108	92,230	-	92,230
Property taxes and insurance	69,117	-	69,117	72,520	-	72,520
Contributions	12,250	-	12,250	1,337,147	-	1,337,147
Total expenses	8,494,814	-	8,494,814	8,310,883	-	8,310,883
Change in net assets	1,051,432	-	1,051,432	1,173,919	(1,324,159)	(150,240)
Net assets at beginning of year	31,600,759	250,056	31,850,815	25,373,760	1,574,215	26,947,975
Non-controlling members' contributions to subsidiaries	20,702,827	-	20,702,827	5,053,080	-	5,053,080
Net assets at end of year	<u>\$ 53,355,018</u>	<u>\$ 250,056</u>	<u>\$ 53,605,074</u>	<u>\$ 31,600,759</u>	<u>\$ 250,056</u>	<u>\$ 31,850,815</u>

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Changes in net assets	\$ 1,051,432	\$ (150,240)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,355,155	1,671,484
Forgiveness of debt	(745,314)	(745,314)
Amortization of deferred fees	146,408	79,243
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(554,864)	173,921
Decrease in developer fee receivable	110,959	844,972
(Increase) Decrease in prepaids	(185,812)	13,977
Increase (decrease) in accounts payable	219,610	(31,948)
(Decrease) in deferred revenue	(726,800)	(714,005)
Increase in other payables	58,727	92,374
(Decrease) increase in management fees payable	(7,122)	(6,675)
Net cash provided by operating activities	1,722,379	1,227,789
Cash flows from investing activities:		
Purchases of real estate, property, and equipment	(32,151,919)	(15,126,718)
Funds advanced on notes receivable	(925,612)	(2,271,629)
Investment in McCaleb Supportive Housing L.L.C.	12,829	-
Net cash used in investing activities	(33,064,702)	(17,398,347)
Cash flows from financing activities:		
Proceeds from notes payable	28,356,134	17,720,400
Payments on notes payable	(18,606,123)	(9,708,373)
Contributions from non-controlling interests	20,702,827	5,053,080
Deferred fees paid	(1,153,114)	(502,296)
Net cash provided by financing activities	29,299,724	12,562,811
Net decrease in cash and cash equivalents	(2,042,599)	(3,607,747)
Cash and cash equivalents at beginning of year	18,756,458	22,364,205
Cash and cash equivalents at end of year	\$ 16,713,859	\$ 18,756,458
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 896,335	\$ 1,022,203
<u>Reconciliation to Statements of Financial Position</u>		
Cash and cash equivalents for cash flow statement include:		
Cash and cash equivalents	\$ 2,232,153	\$ 2,768,273
Restricted cash	14,481,706	15,988,185
	\$ 16,713,859	\$ 18,756,458

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

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(1) Summary of Significant Accounting Policies

(a) History and Organization

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

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

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

Gulf Coast Housing Partnership, L.L.C.	GCHP-1409 OCH, L.L.C.
GCHP-Management, L.L.C.	1122 OCH, L.L.C.
GCHP-NDF, L.L.C.	King Rampart L.L.C.
GCHP-Venus Gardens, L.L.C.	GCHP-Andrew L.L.C.
GCHP-Scott, L.L.C.	GCHP-Canal, L.L.C.
OSBR Land, L.L.C.	GCHP-Westwego, L.L.C.
GCHP-Hammond, L.L.C.	1840 Baronne L.L.C.
GCHP-Jericho, L.L.C.	GHCP-MLK Development, L.L.C.
GCHP-Spanish Town, L.L.C.	GCHP-German Schoolhouse, L.L.C.
GCHP Gert Town, L.L.C.	GCHP-Jefferson Davis, L.L.C.
GCHP-Jefferson Davis GP, L.L.C.	GCHP-1610 OCH, L.L.C.
Beverly Land, L.L.C.	GCHP-Terrebonne, L.L.C.
165 Dauphin GP, L.L.C.*	GCHP-Terrebonne GP, L.L.C.*
Village at the Beverly II GP, L.L.C.*	GCHP Stevenson GP, L.L.C.*
Village at the Beverly II, L.P.*	GCHP-Elysian II GP, L.L.C.*
GCHP-North Park GP, L.L.C.*	GCHP-Springs, L.L.C.*
GCHP-Elysian II, L.L.C.*	

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

GCHP LA CHDO, Inc.*	GCHP-Texas, Inc.*
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* Denotes entity was formed in 2015.

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

GCHP-Muses, L.L.C.	51% West-Millsaps GP, L.L.C.
GCHP-Elysian, L.L.C.	99% GCHP-Mid City GP, L.L.C.
GCHP-PolyBar Owner, L.L.C.	99% GCHP-1854 GP, L.L.C.
GCHP-Esplanade GP, L.L.C.	79% GCHP-Claiborne MM, L.L.C.
Village at the Beverly GP, L.L.C.	

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(1) Summary of Significant Accounting Policies (continued)

(a) History and Organization (continued)

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

GCHP-Mid City GP, L.L.C.	GCHP-1854 GP, L.L.C.
GCHP-One Stop, L.L.C	West-Millsaps GP, L.L.C.
Midtown Land, L.L.C.	GCHP-Sacred Heart MM, L.L.C.
Midtown Housing, GP*	GCHP-Ojala GP, L.L.C.*
Stevenson Apartments, LP*	

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

Village at the Beverly, L.L.C.	GCHP-MLK, L.L.C.
GCHP-Mid City, L.L.C.	1854 North Street, L.L.C.
GCHP-Claiborne, L.L.C.	West-Millsaps, L.L.C.
GCHP-Esplanade, L.L.C.	GCHP PolyBar, L.L.C.
FW Springs, LP*	Northpark Housing, LP*
165 Dauphin, LP*	Midtown Housing, LP*

* Denotes entity was formed in 2015.

Other non-consolidated partnership interests are as follows:

50% of Elysian Manager, L.L.C	50% of McCaleb Supportive Housing, L.L.C.
.005% of The Elysian, L.L.C.	.005% The Muses, LTD1

Elysian Manager, L.L.C. and McCaleb Supportive Housing, L.L.C. are accounted for as equity method investments. The Elysian, L.L.C. and The Muses, LTD1, are carried at cost.

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

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

(b) **Financial Statement Presentation**

The consolidated financial statements of GCHP are presented on the accrual basis of accounting. Financial presentation follows non-profit accounting in which GCHP is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of GCHP and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of GCHP pursuant to those stipulations. GCHP has no permanently restricted net assets.

(c) **Use of Estimates**

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

(d) **Cash and Cash Equivalents**

For the purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash demand deposits and all highly liquid debt instruments with an original maturity of three months or less.

(e) **Receivables**

Receivables are charged to bad debt when they are deemed uncollectible. As of December 31, 2015 and 2014, management deemed that no allowance for uncollectible accounts was necessary.

GCHP uses the direct write off method to provide for uncollectible accounts. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

(f) **Promises to Give**

Unconditional promises to give are recognized as revenues in the period the promise is 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 promises become unconditional. As of December 31, 2015 and 2014, GCHP had no unconditional promises to give recorded in receivables.

(g) **Amortization of Deferred Fees**

Loan fees paid in connection with securing the financing of a property are amortized on a straight-line basis over the term of the respective loan. Mortgage costs are amortized over the term of the permanent mortgage loan using the straight-line method. Tax credit costs are amortized over the tax credit period using the straight-line method. Accumulated amortization as of December 31, 2015 and 2014 was \$407,166 and \$260,758, respectively. Amortization expense was \$146,408 and \$79,243 for the years ended December 31, 2015 and 2014, respectively.

(h) **Property and Equipment**

Property and equipment are recorded at acquisition or construction costs and are depreciated on a straight-line basis over their estimated useful life of 20 to 40 years for buildings and improvements and 3 to 10 years for furniture, equipment, and fixtures. Items which are contributed are recorded at fair value. Maintenance and repairs are expensed as incurred and major improvements are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the Consolidated Statements of Activities.

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the estimated cost to dispose. There were no impairments of long-lived assets recorded by management during the years ended December 31, 2015 and 2014.

(i) **Tax Exempt Status**

Gulf Coast Housing Partnership, Inc. has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC"). GCHP is not considered a private foundation under Section 509(a) of the IRC of 1986. As such, donors are entitled to a charitable deduction for their contributions.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

(i) **Tax Exempt Status (continued)**

Management has reviewed all of the entities where GCHP has an ownership interest for any potential tax effects as of December 31, 2015 and 2014; GCHP has determined that no tax expense or tax liability should be provided for in the consolidated financial statements of GCHP.

GCHP applies a “more-likely-than-not” recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, GCHP has reviewed its tax positions and determined there were no outstanding or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities; therefore, the implementation of this standard has not had a material effect on GCHP.

(j) **Real Estate Development**

GCHP capitalizes project costs which include acquisition and predevelopment costs (real estate held for development and sale), and construction and development costs incurred during construction (construction in progress) for each of its projects. GCHP also capitalizes, upon commencement of construction, interest charges from debt related to these specific projects. Interest capitalized was \$125,175 and \$368,988 for the years ended December 31, 2015 and 2014, respectively. When projects are sold, the related cost and accumulated depreciation as applicable are removed from the accounts; any gain or loss is included in the Consolidated Statements of Activities.

(k) **Revenue Recognition**

Grant revenues are recognized when allowable expenditures are incurred under such agreements and contracts. Advance payments are recorded as deferred revenue.

Development fee revenue is recognized when contractual obligations have been fulfilled and the fees are received or otherwise deemed collectible.

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

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(1) Summary of Significant Accounting Policies (continued)

(l) Deferred Revenue

Deferred revenue is summarized as follows at December 31:

	<u>2015</u>	<u>2014</u>
Developer fees – contractual deferred	\$ 847,419	\$ 696,858
Developer fees – recognition deferred	1,515,145	2,495,388
Capital lease revenue	108,685	-
Loan fees	4,058	9,861
Recoverable grants	650,000	650,000
Total deferred revenue	<u>\$ 3,125,307</u>	<u>\$ 3,852,107</u>

Included in deferred revenue are recoverable grants and deferred development fees at December 31, 2015 and 2014. Recoverable grants are amounts that are contractually due back to the grantor after a specified time period. Development fees are deferred based on either the contractual agreement for a respective project or deferred because of GCHP's revenue recognition policy.

(2) Concentration of Credit Risk

Financial instruments that potentially subject GCHP to credit risk include cash deposits in excess of federally insured limits. As of December 31, 2015 and 2014, GHCP had \$7,078,152 and \$7,671,613, respectively, in uninsured balances. GCHP has not experienced any losses, and management does not believe that credit risk exists as a result of this practice.

For the year ended December 31, 2015, GCHP had no concentration of funding from limited sources. For the year ended December 31, 2014, GCHP received 71% of its contributions, donations, grants and federal grants from three contributors. The support from these contributors for 2015 and 2014 was for project specific subsidies and did not impact GCHP's ability to continue to function at its current level of operations.

(3) Restricted Cash and Cash Equivalents

GCHP maintains restricted cash accounts as required by grant and loan agreements. Restricted cash available to pay current liabilities is classified under current assets. There is a decrease in non-current restricted cash from the prior year of \$7,875,792 and an increase in current restricted cash of \$6,272,411. Both changes are the result of multiple corporate notes with current maturities beginning in 2015 and the related reclassification to current of restricted cash available to pay those maturities. The balances in these accounts totaled \$6,531,757 and \$1,677,538 in restricted cash and cash equivalents and \$7,949,949 and \$14,310,646 in current-restricted cash and cash equivalents at December 31, 2015 and December 31, 2014, respectively.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(4) Property and Equipment

Property and equipment is summarized as follows at December 31:

	2015	2014
Land, lots, and land improvements	\$ 8,613,584	\$ 6,652,400
Construction in progress	8,747,548	6,961,723
Buildings and building improvements	87,842,433	61,591,103
Furniture, equipment, and fixtures	2,517,694	2,051,706
Total property and equipment	107,721,259	77,256,932
Less: Accumulated depreciation	(6,481,699)	(4,174,428)
Property and equipment, net	<u>\$ 101,239,560</u>	<u>\$ 73,082,504</u>

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

Depreciation expense was \$2,355,155 and \$1,671,484 for the years ended December 31, 2015 and 2014, respectively.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(5) **Notes Receivable**

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

	2015	2014
The Elysian, L.L.C. - (East Baton Rouge Parish Redevelopment funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	\$ 841,100	\$ 841,100
The Elysian, L.L.C. - (Office of Community Development funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	4,000,000	4,000,000
The Elysian, L.L.C. - (Louisiana Housing Finance Agency funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	2,099,930	2,099,930
The Elysian, L.L.C. - (Developer Fee Loan) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	352,617	352,617
Reconcile New Orleans, Inc. - (Health and Human Services funds) note receivable with interest rate at 0% per annum; principal is due December 31, 2041. The note is secured by real estate.	765,828	765,828
The Muses Ltd 1 - (HOME funds) note receivable with interest rate at 2.75% per annum; principal and accrued interest are due May 31, 2026. The note is secured by real estate.	2,000,000	2,000,000
The Muses Ltd 1 - (Enterprise funds) note receivable with interest rate at 0% per annum; principal is due at the earlier of the sale and/or the refinancing of The Muses Ltd 1 or October 1, 2039.	50,000	50,000
McCaleb Supportive Housing - note receivable with interest rate at 5% per annum; principal and accrued interest are due in monthly installments beginning April 19, 2013 and amortized over 15 years. The outstanding balance of any principal and interest is due at June 17, 2026. The note is secured by real estate.	173,591	183,618

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(5) Notes Receivable (continued)

	2015	2014
3222 Canal Apartments - (HOME funds) note receivable with interest rate at 0% per annum; principal payment of note will be automatically forgiven upon the later of (i) the expiration of the affordability period set forth in the Grant Agreement and (ii) the payment in full of the Deferred Developer Fee as described in the Development Services Agreement. The note is secured by real estate.	\$ 905,636	\$ 905,636
NBC USA Housing – 1840 Baronne - note receivable with interest rate at 6% per annum; principal and accrued interest are due on February 13, 2017. The note is secured by real estate.	161,873	142,853
GCHP-Housing Finance - note receivable with interest rate at 0% per annum; principal and accrued interest are due June 27, 2023. Note is secured by security interest in the leverage loan to GCHP - PolyBar, L.L.C. project.	629,486	629,486
New Orleans Family Justice Alliance – Note Receivable line of credit with interest rate at 6%, per annum; principal and interest due August 18, 2016. The note is secured by real estate.	10,082	27,536
3222 Canal Apartments - note receivable with interest rate at 0% per annum; principal is due February 26, 2030. The note is secured by real estate.	1,000,000	1,000,000
Mission Properties Foundation - (CDBG funds) note receivable with interest rate at 0% per annum; the note will be automatically forgiven upon the written acknowledgment by the State of Louisiana office of Community Development. The note is secured by real estate.	549,160	-
Citizens' Committee for Education - note receivable line of credit with interest rate at 4.75% per annum; principal and interest due September 7, 2017. The note is secured by real estate.	384,913	-
Total notes receivables	13,924,216	12,998,604
Less current maturities	-	-
Total notes receivable, less current portion	\$ 13,924,216	\$ 12,998,604

Accrued interest receivable on the above notes totaled \$383,637 and \$312,660 as of December 31, 2015 and 2014, respectively. Accrued interest receivable included in receivables in the Consolidated Statements of Financial Position.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(6) Long-Term Debt

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

<u>Corporate Debt</u>	<u>2015</u>	<u>2014</u>
Unsecured acquisition/predevelopment/development loans, bearing interest from 1% to 5%, with interest-only payments due monthly/semi-annual/quarterly, with the exception of one loan that has a monthly principle and interest amortization, to be repaid in full at maturity at various dates through 2023. Interest expense was \$204,235 and \$215,110 in 2015 and 2014, respectively.	\$ 11,395,767	\$ 11,900,000
State agency loan designated for pass through construction funding, bearing 0% interest, forgivable or assignable at the end of the five year compliance period, beginning upon meeting occupancy requirements for the property. In the event of non-compliance, the funding will mature on April 1, 2047.	4,000,000	4,000,000
Unsecured initial capitalization loan bearing interest at 2%, payable annually, with entire principal to be repaid in full on June 16, 2016. Interest expense was \$40,000 in 2015 and 2014.	2,000,000	2,000,000
Unsecured, recourse, qualified low income community investment (QLICI) loans, bearing interest at 1% with annual interest only payments through December 10, 2020 and as of December 10, 2021 monthly principal and interest payments in an amount sufficient to fully amortize the outstanding principle balance as of the maturity date of December 21, 2044. Interest expense was \$33,500 and \$500 in 2015 and 2014, respectively.	2,000,000	2,000,000
Secured, recourse lines of credit, totaling \$8,000,000 of available credit for predevelopment/construction financing, bearing interest from 2.74% to 5.75% payable monthly, with entire principal to be repaid in full at maturity at various dates through 2018. Interest expense was \$53,284 and \$44,995 in 2015 and 2014, respectively.	2,417,500	1,300,000

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

<u>Corporate Debt (continued)</u>	<u>2015</u>	<u>2014</u>
Unsecured, property specific gap financing loan, bearing interest at 1% payable semi-annual, to be repaid in full at April 30, 2016. Interest expense was \$1,000 in 2015 and 2014.	\$ 100,000	\$ 100,000
Total corporate debt	<u>21,913,267</u>	<u>21,300,000</u>
 <u>Partnership Debt</u>		
Louisiana state agency loans, bearing interest from 0% to 2%, principal and interest payments are payable from property cash flow. To be repaid in full at various dates through 2050. Interest expense was \$40,737 and \$20,000 in 2015 and 2014, respectively.	18,298,274	15,197,853
Secured, recourse qualified low-income community investment (QLICI) loans, bearing interest from 0.6271590% to 1.80323% payable quarterly, with principal and interest payable monthly at a future date. To be repaid in full at various dates through 2053. Capitalized interest was \$0 and \$71,116 and interest expense was \$159,056 and \$116,148 in 2015 and 2014, respectively.	14,560,000	14,560,000
Secured, recourse acquisition and construction loans, bearing interest at fixed and variable rates from monthly Libor plus 2.16% to monthly Libor plus 3.5% payable monthly, with principal to be repaid in full at various dates through 2016. Interest rate at December 31, 2015 was 3.243%. Capitalized interest was \$125,175 and \$24,792 and interest expense was \$162,590 and \$345,493 in 2015 and 2014, respectively.	8,344,745	13,691,975
Louisiana state agency loans, bearing 0% interest, forgiven during the compliance period or forgivable or assignable at the end of the compliance period ranging from 5 to 20 years, beginning upon issuance of the conversion certificate or meeting occupancy requirements for the property. In the event of non-compliance, maturity dates range from 2026 to 2047.	10,542,054	11,217,368

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

<u>Partnership Debt (continued)</u>	<u>2015</u>	<u>2014</u>
Permanent, secured conventional loans, bearing interest from 4% to 5.5%, generally with principal and interest due monthly, to be repaid in full at various dates through 2033. Interest expense was \$180,715 and \$84,794 in 2015 and 2014, respectively.	\$ 12,920,457	\$ 1,606,905
Partner loan from pass through rehabilitation financing, bearing interest at 4.35%, with interest and principal payable from property cash flow. Interest expense was \$24,181 and \$16,704 in 2015 and 2014, respectively.	384,000	384,000
Total partnership debt	<u>65,049,530</u>	<u>56,658,101</u>
Total debt	<u>86,962,798</u>	<u>77,958,101</u>
Less current maturities of construction loans	<u>(8,344,745)</u>	<u>(12,378,238)</u>
Less other maturities	<u>(5,824,852)</u>	<u>(1,061,448)</u>
Total debt, less current maturities	<u>\$ 72,793,201</u>	<u>\$ 64,518,415</u>

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

2016	\$ 14,169,597
2017	2,378,654
2018	1,332,523
2019	1,086,587
2020	2,432,766
Thereafter	32,722,343
Loans based on cash flow	18,298,274
Forgivable loans	14,542,054
	<u>\$ 86,962,798</u>

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

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(7) Commitments and Contingencies

Debt

GCHP is contingently liable for a CDBG loan between GCHP Housing Finance, Inc. and State of Louisiana, Office of Community Development. The loan, dated November 27, 2013, is for \$1,000,000 of which \$1,000,000 was outstanding at December 31, 2015 and 2014, respectively. The note has an interest rate of 1% per annum. Interest is payable monthly and principal is due November 27, 2043.

Tax Credits

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

(8) Functional Allocation of Expenses

GCHP allocated its expenses on a functional basis for the years ended December 31 as follows:

	<u>2015</u>	<u>2014</u>
Program project services	\$ 7,730,701	\$ 7,630,165
Supporting services -		
General and administrative	<u>764,113</u>	<u>680,718</u>
Total	<u>\$ 8,494,814</u>	<u>\$ 8,310,883</u>

(9) Related Party Transactions

Enterprise Community Partners, Inc.

GCHP entered into a memorandum of understanding (MOU) with Enterprise CP. Under the MOU, at least one Board of Director's seat is designated for representatives nominated by Enterprise CP and appointed by GCHP Board of Directors. Enterprise CP may add GCHP representation in order to preserve its Board presence at 9%. The MOU was effective April 1, 2006, expired on March 31, 2009, and was replaced by the promissory note in April 2010 described in Note 5. Enterprise CP has a seat on the GCHP Board of Directors at December 31, 2015 and 2014.

During the years ended December 31, 2015 and 2014, Enterprise CP presented GCHP with an operating grant in the amount of \$125,000 and \$47,000, respectively. GCHP recorded a total of \$101,751 and \$47,000 on the Consolidated Statements of Activities as grant income for the years ended December 31, 2015 and 2014, respectively.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(9) **Related Party Transactions (continued)**

The Housing Partnership Network, Inc.

During the years ended December 31, 2014, GCHP entered into a promissory note with the Housing Partnership Network, Inc. (HPN). The President of HPN is a board member of GCHP. The note had an outstanding balance of \$850,000 with a 3.75% interest rate at December 31, 2015 and December 31, 2014.

Capital Area Alliance for the Homeless

GCHP-Scott, LLC has a loan with the Capital Area Alliance for the Homeless (CAAH). CAAH is a partner in GCHP consolidated entity. At December 31, 2015 and 2014, the outstanding balance on the loan was \$384,000 and the interest rate was 4.35% for both years.

First NBC Bank

During the years ended December 31, 2015 and December 31, 2014, GCHP entered into loan agreements with First NBC Bank or affiliates of First NBC. The President of First NBC Bank is Chairman of the Board of GCHP. The notes had an outstanding balance of \$16,560,000 and interest rates ranging from 0.62150% to 1.80323% at December 31, 2015.

NBC USA Housing

As disclosed in Note 5, GCHP has loaned \$161,873 to NBC USA Housing. The Chairman of the Board of NBC USA Housing is a board member of GCHP.

Incentive Management Fees

GCHP entered into an incentive management fee agreement with the Housing Partnership Network, Inc. (Network). Under the original agreement, GCHP shall pay to the Network an annual incentive management fee equal to 50% of the available cash of GCHP up to a total annual payment of \$120,000. A subsequent amendment to the original incentive management fee agreement was signed on March 31, 2010. This agreement amended the fee to be subject to an increase in Partnership net assets and the amount to be 25% of the distributable cash of GCHP. Distributable cash is defined as the fiscal year end audited unrestricted operating and reserve cash balances adjusted for year-end operating accruals in excess of \$1.2 million. Operating and reserve cash balances exclude project accounts and employee benefit accounts. The fee is subject to a 6% cumulative, non-compounding annual return based upon a presumed \$2 million investment by the Network as of June 6, 2006. The fee is non-accruing year to year unless earned and payable. The agreement terminates on June 6, 2016. GCHP accrued a fee of \$85,108 and \$92,230 for the years ended December 31, 2015 and 2014, respectively.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(10) Noncontrolling Interest

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

	Total	Controlling Interest	Noncontrolling Interest
Balance December 31, 2013	\$ 25,373,760	\$ 19,581,414	\$ 5,792,346
Excess of revenues over expenses	1,173,919	2,419,427	(1,245,508)
Contributions to subsidiary by noncontrolling shareholders	5,053,080	-	5,053,080
Change in net assets	6,226,999	2,419,427	3,807,572
Balance December 31, 2014	31,600,759	22,000,841	9,599,918
Excess of revenues over expenses	1,051,432	2,504,009	(1,452,577)
Contributions to subsidiaries by noncontrolling shareholders	20,702,827	-	20,702,827
Change in net assets	21,754,259	2,504,009	19,250,250
Balance December 31, 2015	<u>\$ 53,355,018</u>	<u>\$ 24,504,850</u>	<u>\$ 28,850,168</u>

Capital contributions to and distributions from consolidated subsidiaries by noncontrolling interests for the years ended December 31, 2015 and 2014 are as follows:

Subsidiaries	2015	2014
1854 North Street, L.L.C.	\$ 5,254,205	\$ 957,680
FW Springs, LP	5,872,648	-
GCHP-1610 OCH, L.L.C.	-	(15,515)
GCHP-Claiborne, L.L.C.	3,831,200	-
GCHP-Esplanade, L.L.C.	1,738,225	347,645
GCHP-MLK, L.L.C.	-	457,697
GCHP-Mid City, L.L.C.	3,907,322	244,812
GCHP-One Stop, L.L.C.	-	1,261
GCHP PolyBar, L.L.C.	99,178	-
Village at the Beverly, L.L.C.	-	1,387,000
West-Millsaps, L.L.C.	-	1,672,500
West-Millsaps GP, L.L.C.	49	-
Net contributions to subsidiaries	<u>\$ 20,702,827</u>	<u>\$ 5,053,080</u>

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(11) Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted by grantors for specific programs, purposes, or for use in subsequent periods. These restrictions are considered to expire when payments are made. Temporarily restricted net assets are shown in the Consolidated Statements of Financial Position as restricted cash and land. Temporarily restricted net assets are segregated based on the type of market the restriction is for, and as of December 31, 2015 and 2014, respectively, are as follows:

	<u>2015</u>	<u>2014</u>
Hammond market, land	\$ 250,056	\$ 250,056

(12) Geographic Concentrations

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

(13) Contributions Expense

In 2014, GCHP made a one-time contribution to an unconsolidated non-profit organization in the amount of \$1,337,147. This organization provides community development loan funds for new markets tax credit transactions. This contribution was made to provide funding for the lending activities of the organization.

(14) Legal Matters

A subsidiary of GCHP is a party to a lawsuit. The aggregate effect of this lawsuit, in management's opinion, is not material to the financial condition or results of operations of the subsidiary or GCHP. GCHP is not aware of any legal matter, other than described above, arising in the normal course of activities.

(15) Grant Programs

GCHP participates in a number of Federal programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that GCHP has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of December 31, 2015 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and GCHP.

GULF COAST HOUSING PARTNERSHIP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(16) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 25, 2016, and determined that there were no events that required additional disclosure. No events after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

GULF COAST HOUSING PARTNERSHIP, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2015

Chief Executive Officer Name: Kathy Laborde

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 291,862
Benefits-insurance	16,874
Benefits-retirement	14,567
Benefits	3,000
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	663
Travel	4,208
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	<u>\$ 331,174</u>

See accompanying independent auditors' report.

GULF COAST HOUSING PARTNERSHIP, INC.

SINGLE AUDIT REPORT

DECEMBER 31, 2015

GULF COAST HOUSING PARTNERSHIP, INC.

SINGLE AUDIT REPORT

DECEMBER 31, 2015

Gulf Coast Housing Partnership, Inc.

Single Audit Report

December 31, 2015

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Gulf Coast Housing Partnership Inc. (a nonprofit organization) (GCHP), which comprise the consolidated statement of financial position as of December 31, 2015, 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 April 25, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Postlethwaite + Nettewille

Metairie, Louisiana
April 25, 2016



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

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

Report on Compliance for Each Major Federal Program

We have audited Gulf Coast Housing Partnership Inc.'s (a nonprofit organization) (GCHP) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of GCHP's major federal programs for the year ended December 31, 2015. GCHP's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, GCHP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the consolidated financial statements of GCHP as of and for the year ended December 31, 2015, and have issued our report thereon dated April 25, 2016, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Postlethwaite + Netterville

Metairie, Louisiana
April 25, 2016

Gulf Coast Housing Partnership, Inc.

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2015

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA Number	Grant Number/ Pass-Through Entity Identifying Number	Federal Expenditures	Loan Balance
U.S. Department of Housing and Urban Development:				
Pass-through program from: Mississippi Development Authority Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	GV-350-221-05	\$ 413,103	
Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	B-06-DG-22-001	549,160	
Pass-through program from: Capital Area Alliance for the Homeless Supportive Housing Program (SHP)	14.235	LA0093L6H041303 & LA0093L6H041404	96,247	
Pass-through program from: Enterprisic Community Partners Housing and Urban Development (HUD)	14.252	15SG0063 & 15SG0015	<u>101,751</u>	
Total Federal Grant Expenditures			<u>\$ 1,160,261</u>	
U.S. Department of Housing and Urban Development:				
Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	17RHPS1501	\$ -	\$ 4,000,000
Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	OCD #17 & OCD #9	2,532,284	3,022,973
Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	OCD #23	-	8,022,791
Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	IG-2010-03	-	495,556
Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	17RHPS1505	-	1,400,000
Pass-through program from: East Baton Rouge Redevelopment Authority Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	unknown	-	841,100

Gulf Coast Housing Partnership, Inc.

Schedule of Expenditures of Federal Awards (continued)

For the year ended December 31, 2015

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA Number	Grant Number/ Pass-Through Entity Identifying Number	Federal Expenditures	Loan Balance
U.S. Department of Housing and Urban Development:				
Pass-through program from: Louisiana Housing Corporation (LHC) Neighborhood Stabilization Program (American Recovery and Reinvestment Act)	14.228	unknown	\$ -	\$ 1,723,937
Pass-through program from: Louisiana Housing Corporation (LHC) Neighborhood Stabilization Program (American Recovery and Reinvestment Act)	14.228	RD-18	-	1,000,000
Pass-through program from: Capital Area Alliance for the Homeless Supportive Housing Program	14.235	LA0093B6H040800 & LA48B704002	-	384,000
Pass-through program from: Louisiana Housing Corporation (LHC) HOME Investment Partnership Loan	14.239	2014-HOME-1C-005	362,952	364,415
Pass-through program from: Louisiana Housing Corporation (LHC) HOME Investment Partnership Loan	14.239	LHGP 09-09	-	377,500
Pass-through program from: Mississippi HOME Corporation HOME Investment Partnership Loan	14.239	1223M11SG28011010027	-	-
Pass-through program from: New Orleans Redevelopment Authority Neighborhood Stabilization Program (American Recovery and Reinvestment Act)	14.256	2010-NSP2-12	-	1,700,000
Pass-through program from: Louisiana Housing Corporation (LHC) Neighborhood Stabilization Program (American Recovery and Reinvestment Act)	14.256	RD-13	-	968,603
Pass-through program from: Louisiana Housing Corporation (LHC) Tax Credit Assistance Program (TCAP) (American Recovery and Reinvestment Act)	14.258	09(PC)-17	-	1,000,000
Total Federal Award Loans			<u>\$ 2,895,236</u>	<u>\$ 25,300,875</u>
Total Federal Award Expenditures			<u>\$ 4,055,497</u>	

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

Gulf Coast Housing Partnership, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2015

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Gulf Coast Housing Partnership, Inc. (GCHP). The GCHP reporting entity is defined in Note 1 to the consolidated financial statements for the year ended December 31, 2015. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other government agencies.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to GCHP's consolidated financial statements for the year ended December 31, 2015.

3. Relationship to Financial Statements

Federal expenditures of \$4,055,407 are reported as follows:

Unrestricted federal grants	\$ 1,160,261
Long-term debt	<u>1,796,223</u>
	2,956,484
Unrecorded loan expenditures	<u>1,099,013</u>
Total federal expenditures	<u>\$ 4,055,497</u>

4. Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports, except for the amounts in reports submitted subsequent to December 31, 2015.

5. Notes Payable to Federal Agencies

GCHP received funding, for The Elysian project, under the Community Development Block Grants/State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for \$4,000,000 dated April 1, 2012. The note has an interest rate of 0% per annum. The note is forgivable five years after maintaining compliance with occupancy requirements. All outstanding principal shall be due and payable on April 1, 2047. The note is collateralized by property owned by The Elysian, LLC. The balance of \$4,000,000 was outstanding as of December 31, 2015 and December 31, 2014.

Gulf Coast Housing Partnership, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2015

5. **Notes Payable to Federal Agencies (continued)**

GCHP – Esplanade, LLC, a consolidated subsidiary owned .009% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for \$3,179,799 dated August 1, 2014. The note has an interest rate of 1% per annum. Principal is payable annually commencing May 1, 2015 through August 1, 2049 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – Esplanade, LLC. The balance of \$3,020,809 and \$119,157 was outstanding as of December 31, 2015 and 2014, respectively.

GCHP – MLK, LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for \$8,101,036 dated March 31, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2012 through March 31, 2046 to the extent of surplus cash. The note is collateralized by the property owned by GCHP – MLK, LLC. The balance of \$8,022,791 and \$8,025,038 was outstanding as of December 31, 2015 and 2014, respectively. Payment of principal of \$2,247 was recorded on the loan during the year ended December 31, 2015.

GCHP – One Stop, LLC, a consolidated subsidiary owned 52% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for \$500,000 dated July 21, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2012 through July 21, 2046 to the extent of surplus cash approved by the agency. The note is collateralized by the property owned by GCHP – One Stop, LLC. The balance of \$495,556 was outstanding as of December 31, 2015 and December 31, 2014.

GCHP - MidCity LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for \$1,400,000 dated December 6, 2012. The note has an interest rate of 0% per annum. The note is forgivable five years after maintaining compliance with occupancy requirements. All outstanding principal shall be due and payable on December 5, 2047. The note is collateralized by property owned by GCHP – MidCity LLC. The balance of \$1,400,000 and \$1,330,000 was outstanding as of December 31, 2015 and 2014, respectively.

GCHP – Elysian, LLC, a wholly owned subsidiary of GCHP, received funding, for The Elysian project, under the Community Development Block Grants/State's Program by entering into a promissory note with the East Baton Rouge Redevelopment Authority for \$841,100 dated April 12, 2012. The note has an interest rate of 0% per annum. The note is forgivable five years after maintaining compliance with occupancy requirements. Principal is due April 30, 2052. This note is collateralized by property owned by The Elysian, LLC. The balance of \$841,100 was outstanding as of December 31, 2015 and December 31, 2014.

Gulf Coast Housing Partnership, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2015

5. **Notes Payable to Federal Agencies (continued)**

GCHP – MLK, LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the Louisiana Housing Corporation for \$1,723,937 dated April 5, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2013 through May 1, 2046 to the extent of surplus cash. The note is collateralized by the property owned by GCHP – MLK, LLC. The balance of \$1,723,937 was outstanding as of December 31, 2015 and 2014.

GCHP – One Stop, LLC, a subsidiary owned 52% by GCHP, received funding under the Neighborhood Stabilization Program by entering into a promissory note with the Louisiana Housing Corporation for \$1,000,000 dated July 29, 2010. The note has an interest rate of 0% per annum. Principal and interest are payable annually commencing April 1, 2012 through January 1, 2040 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – One Stop, LLC. The balance of \$1,000,000 was outstanding as of December 31, 2015 and December 31, 2014.

GCHP – Scott, LLC, a wholly-owned subsidiary of GCHP, received funding under the Supportive Housing Program by entering into a promissory note with the Capital Area Alliance for the Homeless for \$384,000 dated March 31, 2010. The note has an interest rate of 4.35% per annum. Principal and interest are payable monthly commencing March 31, 2012 through March 31, 2040 to the extent of net cash flow. The note is collateralized by the property owned by GCHP – Scott, LLC. The balance of \$384,000 was outstanding as of December 31, 2015 and 2014.

GCHP – Esplanade, LLC, a consolidated subsidiary owned .009% by GCHP, received funding under the HOME Investment Partnership Act by entering into a promissory note with the Louisiana Housing Corporation for \$500,000 dated August 12, 2014. The note has an interest rate of 0% per annum. Principal is payable annually commencing April 1, 2016 through August 1, 2049 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – Esplanade. The balance of \$364,415 and \$134,165 was outstanding as of December 31, 2015 and 2014, respectively.

GCHP – Scott, LLC, a wholly-owned subsidiary of GCHP, received funding under the HOME Investment Partnership Act by entering into a promissory note with the Louisiana Housing Corporation for \$500,000 dated March 26, 2010. The note is to be forgiven over 20 years beginning December 31, 2011. The note has an interest rate of 0% per annum. Principal is due only upon default under the HOME Affordable Rental Housing Program Agreement. The note is collateralized by the property owned by GCHP – Scott, LLC. The balance of \$377,500 and \$402,500 was outstanding as of December 31, 2015 and 2014, respectively. Forgiveness of debt of \$25,000 was recorded on the loan during the year ended December 31, 2015.

GCHP – West Millsaps, LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the HOME Investment Partnership Act by entering into a promissory note with the Mississippi Home Corporation for \$737,321 dated October 2, 2014. The note has an interest rate of 1.75% per annum. Principal and interest are payable annually commencing October 1, 2017 through October 1, 2031 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – West Millsaps, LLC. There was no balance outstanding as of December 31, 2015 and December 31, 2014.

Gulf Coast Housing Partnership, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2015

5. **Notes Payable to Federal Agencies (continued)**

GCHP – MLK, LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Neighborhood Stabilization Program by entering into a promissory note with the New Orleans Redevelopment Authority for \$1,700,000 dated March 31, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing March 30, 2011 through March 30, 2047 to the extent of surplus cash. The note is collateralized by the property owned by GCHP – MLK, LLC. The balance of \$1,700,000 was outstanding as of December 31, 2015 and 2014.

GCHP – Scott, LLC, a wholly-owned subsidiary of GCHP, received funding under the Neighborhood Stabilization Program (NSP) by entering into a promissory note with the Louisiana Housing Corporation for \$1,000,000 dated March 26, 2010. The note has an interest rate of 2.00% per annum. Principal and interest are payable annually commencing April 1, 2012 through April 1, 2031, to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP-Scott, LLC. The balance of \$968,603 and \$1,000,000 was outstanding as of December 31, 2015 and 2014, respectively. Payment of principal of \$31,397 was recorded on the loan during the year ended December 31, 2015.

GCHP – One Stop, LLC, a consolidated subsidiary owned 52% by GCHP, received funding under the Tax Credit Assistance Program by entering into a promissory note with the Louisiana Housing Corporation for \$1,000,000 dated July 29, 2010. The note has an interest rate of 0% per annum. Principal and interest are payable annually commencing April 1, 2012 through July 1, 2050 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – One Stop, LLC. The balance of \$1,000,000 was outstanding as of December 31, 2015 and 2014.

Gulf Coast Housing Partnership, Inc.

Schedule of Findings and Questioned Costs

Year ended December 31, 2015

Schedule I - Summary of Independent Auditors' Results

1. Type of report issued on the financial statements. **Unmodified Opinion**
2. Did the audit disclose any material weaknesses in internal control over financial reporting?
No
3. Did the audit disclose any significant deficiencies in internal control over financial reporting? **None reported**
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization? **No**
5. Did the audit disclose any material weaknesses in internal control over major Federal programs? **No**
6. Did the audit disclose any significant deficiencies in internal control over major programs?
None reported
7. Type of report issued on compliance for major programs. **Unmodified**
8. Did the audit disclose any audit findings which the independent auditor is required to report in accordance with 2 CFR 200.516(a)? **No**
9. The following is an identification of major programs:
 - United States Department of Housing and Urban Development
 - CFDA No. 14.228 – Community Development Block Grants/State's program and Non-entitlement Grants in Hawaii
10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in the Uniform Guidance was **\$750,000**.
11. Did the auditee qualify as a low risk auditee under the Uniform Guidance? **Yes**

Schedule II - Financial Statement Findings

None noted

Schedule III - Federal Award Findings

None noted