

PARTNERS FOR PROGRESS, INCORPORATED

**(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF
EAST BATON ROUGE PARISH)**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022



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PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Partners for Progress, Incorporated
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Partners for Progress, Incorporated (the Corporation) (a nonprofit corporation) (a component unit of The Housing Authority of East Baton Rouge Parish), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements Corporation's primary government as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation's primary government, as of September 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above include only the primary government of Partners for Progress, Incorporated, which consists only of funds that comprise the Corporation's legal entity. These primary government financial statements do not include financial data for the Corporation's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Corporation's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Corporation as of September 30, 2022, the changes in its financial position, or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the The Housing Authority of East Baton Rouge Parish, of which the Corporation is a component unit, as of and for the year ended September 30, 2022, and our report thereon, dated June 27, 2023, expressed unmodified opinions on those financial statements.

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://www.claglobal.com/disclaimer).

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information


Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to the Chief Executive Officer (the supplementary information) is presented for the Louisiana Legislative Auditor's Office and is a required part of the financial statements by the Louisiana Legislative Auditor's Office. The Schedule is presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The 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 GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Lakeland, Florida
June 27, 2023

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,001,817
Accounts Receivable, Copper Oaks, LLC	117,125
Accounts Receivable - Other, Net Allowance for Doubtful Accounts of \$95,542	624,189
Prepaid Costs	1,353
Total Current Assets	1,744,484

CAPITAL ASSETS

Land	292,500
Furniture and Equipment	15,418
Less: Accumulated Depreciation	(15,418)
Net Capital Assets	292,500

OTHER ASSETS

Notes Receivable	6,245,684
Total Other Assets	6,245,684

Total Assets	\$ 8,282,668
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 47,641
Due to Primary Government (Operations)	1,668,789
Accrued Asset Management Fee	101,592
Accrued Wages and Payroll Taxes	2,326
Accrued Compensated Absences	6,249
Long-Term Capital Debt, Current Portion	178,405
Total Current Liabilities	2,005,002

LONG-TERM LIABILITIES

Long-Term Capital Debt, Net of Current	792,700
Total Long-Term Liabilities	792,700

Total Liabilities	2,797,702
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NET POSITION

Unrestricted	5,484,966
Total Net Position	5,484,966

Total Liabilities and Net Position	\$ 8,282,668
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See accompanying Notes to Financial Statements.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2022

OPERATING REVENUES

Other Revenue	\$ 399,159
Grant Revenue from the Authority	2,216,703
Total Operating Revenues	2,615,862

OPERATING EXPENSES

Administrative	438,132
Tenant Services	20,000
Utilities	1,666
Maintenance and Operations	8,119
Other General Expenses	3,077
Insurance	9,069
Total Operating Expenses	480,063

Operating Income	2,135,799
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NONOPERATING REVENUES (EXPENSES)

Interest Expense	(14,810)
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CHANGE IN NET POSITION

2,120,989

Net Position - Beginning of Year

3,363,977

NET POSITION - END OF YEAR

\$ 5,484,966

See accompanying Notes to Financial Statements.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Other Income Receipts	\$ 4,361,012
Cash Payments for Salaries and Benefits	(209,450)
Cash Payments to Vendors	(1,406,330)
Net Cash Provided by Operating Activities	2,745,232

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Repayment of Debt	(8,720)
Net Cash Used by Capital and Related Financing Activities	(8,720)

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts from Notes Receivable	116,656
Issuance of Notes Receivable	(2,443,479)
Net Cash Used by Investing Activities	(2,326,823)

NET INCREASE IN CASH AND CASH EQUIVALENTS

409,689

Cash and Cash Equivalents - Beginning of Year

592,128

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,001,817

**RECONCILIATION OF INCOME FROM OPERATIONS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Income from Operations	\$ 2,135,799
Adjustments to Reconcile Net Operating Income to Net Cash and Cash Equivalents:	
(Increase) Decrease in Assets:	
Accounts Receivable - Miscellaneous	298,779
Prepaid Costs	1,340
Increase (Decrease) in Liabilities:	
Accounts Payable	124,815
Accrued Wages and Payroll Taxes Payable	373
Accrued Compensated Absences	(2,550)
Due to Primary Government	186,676
Net Cash Provided by Operating Activities	\$ 2,745,232

See accompanying Notes to Financial Statements.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 REPORTING ENTITY DEFINITION

Partners for Progress, Incorporated (the Corporation) is a nonprofit Louisiana corporation, which was created as an instrumentality of The Housing Authority of East Baton Rouge Parish (the Authority) to develop low to moderate income housing in the Baton Rouge community. Because the Authority appoints a voting majority of the Corporation's governing body, and the Authority may significantly influence the activities of the Corporation, the Corporation is a component unit of the Authority. GASB Statement Nos. 14, 39 and 61 established criteria for determining the Authority's inclusion of the Corporation as a component unit of the Authority. Since the Corporation maintains a substantively different governing board than the Authority, and the benefits derived from the services the Corporation provides extend beyond the Authority, the Corporation is considered to be a discrete component unit of the Authority and the financial activity of the Corporation is reported separately in the financial statements of the Authority. The Corporation's fiscal year-end is September 30.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Authority is a Government engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund.

The Corporation's financial statements include the financial statements of the following wholly owned limited liability companies, which have no activity for the fiscal year ended September 30, 2022. Because these companies are wholly owned by the Corporation and almost exclusively benefit the Corporation, they meet the criteria to be considered blended component units of the Corporation:

Partners for Progress Development Company, LLC

Partners for Progress Development Company, LLC was created to function as an instrumentality of the Corporation to facilitate the development of twenty-five single family rental homes for low to moderate income families known as Brookstown Place Subdivision. Partners for Progress, Incorporated is the sole member of Partners for Progress Development Company, LLC.

Cedar Pointe Development, LLC

Cedar Pointe Development, LLC was created to function as an instrumentality of the Corporation to facilitate the development of eighty single family rental homes for low to moderate income families known as Cedar Pointe Subdivision. Partners for Progress, Incorporated is the sole member of Cedar Pointe Development, LLC.

Wesley Chapel Development, LLC

Wesley Chapel Development, LLC was created to function as an instrumentality of the Corporation to facilitate the rehabilitation of an eighty-two unit apartment complex for low to moderate income families known as Wesley Chapel Apartments. Partners for Progress, Incorporated is the sole member of Wesley Chapel Development, LLC.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 REPORTING ENTITY DEFINITION (CONTINUED)

Hospital Plaza I, LLC

Hospital Plaza I, LLC was created to function as an instrumentality of the Corporation to facilitate the development of a townhouse community for low-income families known as Willow Creek Townhomes. Partners for Progress, Incorporated is the sole member of Hospital Plaza I, LLC.

Colonial Courts I, LLC

Colonial Courts I, LLC was created to function as an instrumentality of the Corporation to facilitate the development of a townhouse community for low-income families known as Autumn Place Townhomes. Partners for Progress, Incorporated is the sole member of Colonial Courts I, LLC.

Roosevelt Terrace, LLC

Roosevelt Terrace, LLC was created to function as an instrumentality of the Corporation to facilitate the rehabilitation and development of an apartment complex for low-income families known as Roosevelt Terrace Apartments. Partners for Progress, Incorporated is the sole member of Roosevelt Terrace, LLC.

River South, LLC

River South, LLC was created to function as an instrumentality of the Corporation to facilitate the rehabilitation and development of an apartment complex for low-income families known as River South Apartments. Partners for Progress, Incorporated is the sole member of River South, LLC.

Cypress at Gardere, GP LLC

Cypress at Gardere, GP LLC was created to function as an instrumentality of the Corporation to facilitate the rehabilitation and development of an apartment complex for low-income families known as Cypress at Gardere Apartments. Partners for Progress, Incorporated is the sole member of Cypress of Gardere, GP LLC.

2080 Ardenwood, LLC

2080 Ardenwood LLC was created to function as an instrumentality of the Corporation to facilitate the rehabilitation and development of an apartment complex for low-income families known as Ardenwood Apartments. Partners for Progress, Incorporated is the sole member of 2080 Ardenwood, LLC. This entity is a part of the development being developed with the Authority's Choice Neighborhood Implementation Grant monies.

Related Partnerships

Through its wholly owned limited liability companies, the Corporation is the general partner in the following Partnerships (with fiscal year-ends of December 31, 2021). The activity of these partnerships is not included in the financial statements of the Corporation, but is included in the financial statements of the Authority:

Partners for Progress Development Company, LLC is the general partner of Brookstown Place Partnership. Partners for Progress Development Company, LLC's economic interest in the partnership is .01%, and was negative (\$188) as of December 31, 2021.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 REPORTING ENTITY DEFINITION (CONTINUED)

Related Partnerships (Continued)

Cedar Pointe Development, LLC is the general partner of Cedar Pointe Subdivision Limited Partnership. Cedar Pointe Development, LLC's economic interest in the partnership is .01%, and was negative (\$416) as of December 31, 2021.

Wesley Chapel Development, LLC is the general partner of Wesley Chapel Development, LP. Wesley Chapel Development, LLC's economic interest in the partnership is .01%, and was negative (\$885) as of December 31, 2021.

Hospital Plaza I, LLC is the general partner of EBRPHA Development 1, LP. Hospital Plaza I, LLC's economic interest in the partnership is .01%, and was negative (\$339) as of December 31, 2021.

Colonial Courts I, LLC is the general partner of EBRPHA Development 2, LP. Colonial Courts I, LLC's economic interest in the partnership is .01%, and was negative (\$328) as of December 31, 2021.

Roosevelt Terrace, LLC is the general partner of EBRPHA Development 4, LP. Roosevelt Terrace, LLC's economic interest in the partnership is .01%, and was negative (\$130) as of December 31, 2021.

River South, LLC is the general partner of River South Development, LP. River South, LLC's economic interest in the partnership is .01%, and was negative (\$110) as of December 31, 2021.

Cypress at Gardere, GP LLC is the general partner of Cypress at Gardere, LP. Cypress at Gardere GP, LLC's economic interest in the partnership is .01%. The project property is not yet in operations as of September 30, 2022. Cypress at Gardere, LP began operations subsequent to year-end, on October 29, 2022.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation uses the accrual basis of accounting in accordance with GAAP. Under this method income is recognized as it is earned and expenses are recognized as they are incurred whether or not cash is received or paid out at that time.

Use of Estimates

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to the allowances against notes and accounts receivable and allocable shares of developer fees receivable. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

Cash

The Corporation considers cash on hand and cash in checking to be cash equivalents. Cash on hand is not included in calculation of collateral required.

Accounts Receivable

Accounts receivable are carried at the amount considered by management to be collectible. An allowance for doubtful accounts is used for amounts that are not considered collectible.

Prepaid Items

Prepaid items consist of payments made to vendors for services that will benefit future periods.

Assets Held for Sale

Assets Held for Sale consists of land and infrastructure expected to be sold within one year and is valued at the lesser of cost or fair value.

Capital Assets

Equipment items are carried at cost and are depreciated over five years. The costs of maintenance and repairs are expensed, while significant renewals and betterments are capitalized. Small dollar value minor equipment items are expensed.

Accrued Expenses

Accrued expenses consist of accrued employee payroll and earned leave balance.

Revenue

Sales revenue, construction and developer fees, grant revenues and other miscellaneous operating revenues are reported as operating income. Earnings on bank deposits are reported as nonoperating income.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3 CASH DEPOSITS

Custodial Credit Risk - The Corporation's policy is to limit credit risk by adherence to investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Interest Rate Risk - The Corporation's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

The Corporation's cash and cash equivalents consist of cash held in an interest-bearing checking account, totaling \$1,001,817 with a book balance of \$1,001,817. As of September 30, 2022, \$751,817 of the Corporation's bank balances were not collateralized outside of the amounts secured by the Federal Deposit Insurance Corporation (FDIC).

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following amounts:

Accounts Receivable - Costs	\$ 95,542
Accounts Receivable - Sale of Land	117,125
Less: Allowance for Doubtful Accounts	<u>(95,542)</u>
Total Accounts Receivable, Copper Oaks, LLC	<u>\$ 117,125</u>
Accounts Receivable - River Lofts	\$ 122,055
Accounts Receivable - Cypress at Gardere	299,146
Accounts Receivable - Cypress at Asante	31,550
Accounts Receivable - Other Projects	65,819
Accounts Receivable - 2080 Ardentale	75,184
Accounts Receivable - North Blvd	<u>30,435</u>
Total Accounts Receivable - Other	<u>\$ 624,189</u>

NOTE 5 NOTES RECEIVABLE AND DEVELOPER FEES

Through the Corporation's wholly owned subsidiary entities (Partners for Progress Development Corporation, LLC; Cedar Pointe Development, LLC; Wesley Chapel Development, LLC; Hospital Plaza I, LLC; Colonial Courts I, LLC; Roosevelt Terrace, LLC and River South, LLC) the Corporation has earned developer fees from each of the Partnerships for overseeing the construction and development of four apartment complexes and two townhouse communities. During the fiscal year, the Corporation did not receive developer fees from the Partnerships. As of September 30, 2022, the Corporation's estimated share of the outstanding balances of the developer fee receivables due from the applicable partnerships amounted to \$727,885. Due to uncertainties regarding collectability, Corporation management has elected to reserve the entire amount of the receivables, and to recognize income as funds are received.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5 NOTES RECEIVABLE AND DEVELOPER FEES (CONTINUED)

During fiscal year 2015, the Corporation funded a \$480,200 loan to EBRPHA Development 4, LP to assist with the rehabilitation of the Roosevelt Terrace Apartments complex. The nonrecourse note is secured with a subordinate mortgage on the property which has been subsequently assigned to Capital One National Association to secure a related loan issued from the Corporation to Capital One National Association. The loan bears interest at a rate of .25% per annum and is payable from the available income and cash flow of the borrower, as stipulated in the Loan Agreement. The loan matures in September of 2055 and outstanding balance was \$480,200 as of September 30, 2022.

In January 2012, the East Baton Rouge Redevelopment Authority (RDA) provided a subordinate mortgage loan in the amount of \$500,000 (the RDA Loan) to the EBRPHA Development 2, LP (Autumn Place). The loan has a thirty-year term and will accrue interest at zero (0.00%) percent annually. The loan is evidenced by a mortgage note given by Autumn Place to the Lender and is secured by the RDA Mortgage and other related security documents and financing statements. The loan is non-recourse to Autumn Place and the Partners (other than customary non-recourse carve out-provisions which have been consented to by the Special Limited Partner). The loan will be repaid solely from Surplus Cash, to the extent Surplus Cash is generated from the operation of the Project, in the sum of one-third (1/3) of the first \$42,000 of Surplus Cash; plus two-thirds (2/3) of any excess over the \$42,000 of Surplus Cash. In April of 2021, this loan was reassigned to the Corporation in the amount of \$500,000 and shows as a receivable on the statement of net position. \$58,328 of this loan was relieved in September 2022, resulting in a balance at September 30, 2022 of \$441,672.

In January 2012, the East Baton Rouge Redevelopment Authority (RDA) provided a subordinate mortgage loan (the RDA Loan) in the amount of \$500,000 to EBRPHA Development 1, Partnership (Willow Creek). The loan has a thirty-year term and will accrue interest at zero (0.00%) percent annually. The loan is evidenced by a mortgage note given by Willow Creek to the Lender and is secured by the RDA Mortgage and other related security documents and financing statements. The loan is non-recourse to Willow Creek and the Partners (other than customary non-recourse carve out-provisions which have been consented to by the Special Limited Partner). The loan will be repaid solely from Surplus Cash, to the extent Surplus Cash is generated from the operation of the Project, in the sum of one-third (1/3) of the first \$42,000 of Surplus Cash; plus, two-thirds (2/3) of any excess over the \$42,000 of Surplus Cash. In April of 2021, this loan was reassigned to the Corporation in the amount of \$441,672 and shows as a receivable on the statement of net position. \$58,328 of this loan was relieved in September 2022, resulting in a balance at September 30, 2022 of \$441,672.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5 NOTES RECEIVABLE AND DEVELOPER FEES (CONTINUED)

In April of 2021, the Corporation loaned a new development, Cypress at Gardere, LP (Cypress) \$1,450,000 at closing for the purchase of the property and for future development costs. In the fiscal year, Cypress drew down an additional \$2,443,479 of funds from the Corporation for a total of \$4,382,140 outstanding as of September 30, 2022. The total allowable amount to be disbursed to Cypress from the Corporation is \$4,900,000 with an interest rate on the unpaid principal balance of 8%, per annum. The principal balance of the note and interest thereon shall be paid annually commencing in 2023 with payments solely from 75% of Surplus Cash (as defined in the Subordination Agreement between Lender and Regions Bank, as fiscal agent), and the principal balance and all accrued, but unpaid interest shall be due and payable on April 22, 2056.

NOTE 6 CAPITAL ASSETS

A summary of the Corporation's capital asset balances and activity, as of and for the year ended September 30, 2022 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable Capital Assets				
Land	\$ 292,500	\$ -	\$ -	\$ 292,500
Furniture and Equipment	15,418	-	-	15,418
Total Capital Assets	307,918	-	-	307,918
Less: Accumulated Depreciation				
Furniture and Equipment	(15,418)	-	-	(15,418)
Total Capital Assets Being Depreciated, Net	292,500	-	-	292,500
Capital Assets, Net	\$ 292,500	\$ -	\$ -	\$ 292,500

NOTE 7 NOTES PAYABLE

In November of 2011, the Corporation issued a promissory note to Greenwell Land Acquisitions, LLC (GLA, LLC) in the amount of \$370,000 to purchase land from GLA, LLC, on which the Subdivision will be developed. GLA, LLC has agreed to forgive the 6% annual interest rate upon extinguishment of the loan. Therefore, Corporation management has not accrued an interest payable balance. The note matured on December 31, 2014 but has not been paid or refinanced as of the date of these financial statements. The outstanding principal balance on the note as of September 30, 2022 was \$117,125.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7 NOTES PAYABLE (CONTINUED)

During fiscal year 2014, the Corporation issued an Affordable Housing Program promissory note to Capital One National Association in the amount of \$500,200 to fund a loan the Corporation subsequently made to EBRPHA Development 4, LP, to partially finance the rehabilitation of the Roosevelt Terrace Apartment complex. The note is mortgaged with an assigned security interest in the Roosevelt Terrace Apartments property, matures in September of 2029, and will not bear interest as long as the Affordable Housing Program loan criteria are satisfied. The outstanding principal balance on the loan as of September 30, 2022 was \$500,200.

In December 2020, the Corporation received a loan in the amount of \$292,500 from Home Bank with a maturity date of December 17, 2023 related to the purchase of 2080 Ardenwood. The annual interest rate for this loan is 4.95%. Loan is payable in full immediately upon demand. If no demand is made, the Corporation will pay this loan in one principal payment on maturity. This loan is collateralized by the property. The outstanding principal balance on the loan as of September 30, 2022 was \$292,500.

In April 2021, the Corporation received a loan in the amount of \$70,000 from Liberty Bank with an original maturity date of May 16, 2021 and extended maturity date of August 16, 2023. The annual interest rate for this loan is 6.5%. Loan is payable in full immediately upon demand. If no demand is made, the Corporation will pay this loan in one principal payment on maturity. The outstanding principal balance on the loan as of September 30, 2022 was \$61,280.

Long-term liability activity for the year ended September 30, 2022, applicable to the Corporation, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Land Acquisition Note Payable	\$ 117,125	\$ -	\$ -	\$ 117,125	\$ 117,125
HOME Investment Loan	-	-	-	-	-
Note Payable due to Liberty Bank	70,000	-	(8,720)	61,280	61,280
Note Payable to Home Bank	292,500	-	-	292,500	-
Note Payable due to the East Baton Rouge RDA	-	-	-	-	-
AHP Loan due to Capital One, National Association	500,200	-	-	500,200	-
Long-Term Liabilities	<u>\$ 979,825</u>	<u>\$ -</u>	<u>\$ (8,720)</u>	<u>\$ 971,105</u>	<u>\$ 178,405</u>

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7 NOTES PAYABLE (CONTINUED)

Future projected payments are as follows:

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance Due</u>
2023	\$ 178,405	\$ 5,234	\$ 183,639
2024	292,500	1,251	293,751
2025	-	1,251	1,251
2026	-	1,251	1,251
2027	-	1,251	1,251
2052-2056	500,200	1,251	501,451
Total	<u>\$ 971,105</u>	<u>\$ 11,486</u>	<u>\$ 982,591</u>

NOTE 8 DEFERRED COMPENSATION PLAN

The Corporation provides deferred compensation benefits for all of its full-time employees through the State of Louisiana Public Employees Deferred Compensation Plan, a defined contribution plan. The plan is administered by Great West Retirement Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after twelve months of continuous service. The Corporation contributes approximately 10.5% of the employee's eligible compensation, while the employees are not required to contribute to the plan. During fiscal year 2022, the Corporation made the required contributions in the amount of \$-0- and the employees contributed \$-0-. The Corporation's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately, upon participation in the plan.

NOTE 9 RISK MANAGEMENT

The Corporation is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a component unit of the Authority, the Corporation is covered by the Authority's insurance policies. The Authority carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. The Corporation, through the Authority, has not had any significant reductions in insurance coverage or any claims not reimbursed. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

NOTE 10 CONCENTRATION OF RISK

The Corporation receives funding from various affiliated partnerships. Many of these funding arrangements are dependent upon the partnerships attaining various cash flow thresholds and other financing sources.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11 COMMITMENTS AND CONTINGENCIES

The Corporation is the sole member of Wesley Chapel Development, LLC. Wesley Chapel Development, LLC is the general partner of Wesley Chapel Development, LP. In September 2011, Wesley Chapel Development, LP obtained a loan from the Louisiana Housing Finance Agency (LHFA) for \$1,000,000. The note is secured with a mortgage on the leasehold interest in the property and improvements, and an assignment of rents. The loan matures in March of 2041. As of December 31, 2021, the principal balance owed on the loan was \$1,000,000. Corporation management is anticipating the Partnership to report a balance of \$1,000,000 as of September 30, 2022, upon issuance of the Partnership's 2022 financial statements. The Corporation has guaranteed payment of the notes to Home Federal Bank and LHFA. In the event that the partnership defaults, the loans could become a liability of the Corporation. However ,the Corporation does not anticipate this occurring.

NOTE 12 INCOME TAXES

The Corporation is exempt from income taxes as a public agency, under Section 501(c)4 of the Internal Revenue Code. As such, only unrelated business income is subject to income tax. The Corporation is not currently under audit nor has the Corporation been contacted by any of these jurisdictions. Based on an evaluation of the Corporation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the fiscal year-ended September 30, 2022.

NOTE 13 SUBSEQUENT EVENTS

Subsequent to September 30, 2022, on January 31, 2023, Partners for Progress, Inc. obtained a loan from East Baton Rouge Parish Housing Authority (the Authority) for \$1,249,000 with an interest rate of 3.84%. The loan matures on January 31, 2043 and all principal and accrued interest is due in full on maturity. The Corporation in turn lent this money to PSE 4550 North Boulevard, LLC with the exact same terms of the loan with the Authority.

At this time, the Corporation is not aware of any other facts, decisions or conditions that are expected to have a significant impact on financial position or results of operations.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 14 RELATED PARTNERSHIPS

Balance Sheets as of December 31, 2021:

	EBRPHA Development 2, LP dba Autumn Place	Bayou Ridge dba Wesley Chapel Dev Partnership II, LP	Brookstown Place Partnership, ALPIC	Cedar Pointe Subdivision, L.P.	River South Development, L.P.	EBRPHA Development 4, L.P.	EBRPHA Development 1, L.P.	Total
Assets								
Current Assets	\$ 651,097	\$ 805,817	\$ 133,331	\$ 1,315,968	\$ 266,537	\$ 431,738	\$ 615,933	\$ 4,220,421
Other Assets	54,490	79,318	1,109	8,225	209,620	19,277	56,056	428,095
Capital Assets	6,427,443	7,181,799	3,012,676	8,754,124	8,834,664	4,754,488	6,427,131	45,392,325
Total Assets	\$ 7,133,030	\$ 8,066,934	\$ 3,147,116	\$ 10,078,317	\$ 9,310,821	\$ 5,205,503	\$ 7,099,120	\$ 50,040,841
Liabilities								
Current Liabilities	\$ 119,751	\$ 161,565	\$ 37,025	\$ 128,680	\$ 97,339	\$ 23,086	\$ 131,456	\$ 698,902
Noncurrent Liabilities	4,120,472	3,465,285	1,175,650	2,333,895	4,099,136	1,128,762	4,237,830	20,561,030
Total Liabilities	4,240,223	3,626,850	1,212,675	2,462,575	4,196,475	1,151,848	4,369,286	21,259,932
Partner's Equity								
Total Partner's Equity	2,892,807	4,440,084	1,934,441	7,615,742	5,114,346	4,053,655	2,729,834	28,780,909
Total Liabilities and Partner's Equity	\$ 7,133,030	\$ 8,066,934	\$ 3,147,116	\$ 10,078,317	\$ 9,310,821	\$ 5,205,503	\$ 7,099,120	\$ 50,040,841

Statement of Operations for the year ended December 31, 2021:

	EBRPHA Development 2, LP dba Autumn Place	Bayou Ridge dba Wesley Chapel Dev Partnership II, LP	Brookstown Place Partnership, ALPIC	Cedar Pointe Subdivision, L.P.	River South Development, L.P.	EBRPHA Development 4, L.P.	EBRPHA Development 1, L.P.	Total
Operating Revenue								
Tenant Revenue	\$ 420,003	\$ 665,446	\$ 277,021	\$ 887,459	\$ 488,594	\$ 282,501	\$ 400,836	\$ 3,421,860
Other Revenue	-	-	-	-	-	-	-	-
Investment Income	557	899	71	453	81	392	557	3,010
Total Operating Revenue	420,560	666,345	277,092	887,912	488,675	282,893	401,393	3,424,870
Operating Expenses								
Administrative	111,608	136,696	83,237	152,622	100,948	92,300	109,436	786,847
Tenant Services	-	-	-	-	-	-	-	-
Utilities	16,260	53,084	4,171	7,537	17,669	18,179	20,971	137,871
Maintenance	135,923	210,197	84,061	189,181	57,538	71,379	142,920	891,199
Insurance Premiums	66,853	74,434	46,977	136,831	51,286	54,489	66,272	497,142
Other General Expense	3,167	9,130	32,230	59,897	3,802	3,364	4,225	115,815
Interest Expense	107,753	142,680	66,220	178,342	210,076	15,314	111,039	831,424
Depreciation Expense	328,838	319,021	124,057	347,395	318,942	185,401	334,198	1,957,852
Total Operating Expenses	770,402	945,242	440,953	1,071,805	760,261	440,426	789,061	5,218,150
Operating Income (Loss)	\$ (349,842)	\$ (278,897)	\$ (163,861)	\$ (183,893)	\$ (271,586)	\$ (157,533)	\$ (387,668)	\$ (1,793,280)

NOTE 15 RELATED PARTY TRANSACTIONS

The Corporation owes the Authority \$1,624,649 for operating expenses as of September 30, 2022.

Additionally, as discussed in Note 7, the Authority granted the Corporation \$2,216,703 related to the Cypress at Gardere project in fiscal year 2022.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 16 ADMINISTRATIVE AND UTILITY EXPENSES

The Corporation had the following administrative and utility expenses.

Administrative Expenses

Administrative Salaries	\$ 166,314
Auditing Fees	14,603
Management Fee	91,774
Employee Benefit Contributions	40,959
Other	16,552
Office Expenses	90,700
Travel	16
Legal Expense	13,980
Total Administrative Expenses	<u>\$ 438,132</u>

Utilities

Electricity	\$ 1,391
Sewer	92
Gas	134
Water	49
Total Utilities	<u>\$ 1,666</u>

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO THE CHIEF
EXECUTIVE OFFICER
YEAR ENDED SEPTEMBER 30, 2022

EXPENDITURE PURPOSE

Salary	\$	-
Benefits - Insurance		-
Benefits - Retirement		-
Car Allowance		-
Per Diem		-
Registration Fees		-
Conference Travel		-
Total Compensation, Benefits, and Other Payments	<u>\$</u>	<u>-</u>

Agency Head: Jim Daniels, Chief Executive Officer
Period: October 1, 2021 through September 30, 2022

Basis of Presentation

The above Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the *Louisiana Revised Statute (R.S.) 24:513A (A)*, as amended by *Act 706 of the 2014 Legislative Session*.



**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***

Board of Directors
Partners for Progress, Incorporated
Baton Rouge, 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 financial statements of the business-type activities and the of Partners for Progress, Incorporated (the Corporation), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the 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 opinions on the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

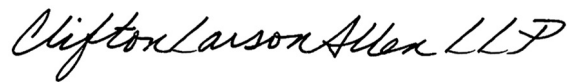
As part of obtaining reasonable assurance about whether the Corporation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

The Corporation’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Corporation’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Lakeland, Florida
June 27, 2023

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2022

2022-001

Material Weakness in Internal Control over Financial Reporting

Condition: The Corporation does not have a policy in place to provide reasonable assurance that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP); therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented, or detected and corrected, by the organization's internal controls. As part of our audit, material adjustments were recorded to the financial statements that were not detected by management.

Criteria or specific requirement: The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements. Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with GAAP. A good system of internal control contemplates an adequate system for recording and processing adjusting journal entries significant to the financial statements and internally preparing the Corporation's financial statements and accompanying notes to the financial statements.

Context: During our audit, there were numerous material audit adjustment made to the Partners for Progress balances including:

- Notes Payable
- Accounts Payable
- Employee Benefits
- Grant Income
- Prepaid Insurance
- Accounts Receivable
- Various Expense Accounts
- Unearned Revenue
- Equity
- Due to/from EBRPHA

Effect: The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

Cause: Failure to properly reconcile general ledger accounts to subsidiary records and posting all transactions and entries prior to the audit. The Corporation has not adopted a policy to provide reasonable assurance that financial statements are prepared in accordance with GAAP; however, management has reviewed and approved the annual financial statements and related notes, as prepared by the audit firm, and has accepted responsibility for those financial statements.

Recommendation: The Corporation should evaluate their financial reporting processes and controls, including the expertise of its internal staff and external consultants, to determine whether additional controls over the preparation of annual financial statements can be implemented to provide reasonable assurance that financial statements are prepared in accordance with GAAP.

PARTNERS FOR PROGRESS, INCORPORATED
(A COMPONENT UNIT OF THE HOUSING AUTHORITY OF EAST BATON ROUGE PARISH)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2022

View of responsible officials and planned corrective actions: There is no disagreement with this finding. The Authority and Corporation's Finance Department was hit hard with three top Finance positions being vacated due to retirement, which left remaining staff and the agency with no HUD experience for Accounting and compliance. A new CFO started mid -June 2023 and will work with team to implement better practices, controls and training.