Regional Community Finance, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Regional Community Finance, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Regional Community Finance, Inc., (RCF) which comprise the consolidated statement of financial position as of December 31, 2023 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the 2023 consolidated financial statements referred to above present fairly, in all material respects, the financial position of RCF as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of RCF 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.

Prior Period Consolidated Financial Statements

The consolidated financial statements of RCF as of December 31, 2022 were audited by other auditors whose report dated September 15, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RCF'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RCF'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2024, on our consideration of RCF'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 RCF'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 RCF's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
September 3, 2024

Regional Community Finance, Inc.
Consolidated Statements of Financial Position
December 31, 2023 and 2022

ASSETS

	2023	2022
Cash and cash equivalents	$ 571,118	$ 401,251
Restricted cash and cash equivalents	2,690,939	7,328,056
Accounts receivable	89,082	39,527
Interest receivable	12,958	50,024
Prepaid insurance	924	906
Other assets	24,789	24,789
Notes receivable, net of allowance for credit losses of $423,565 and $0 as of December 31, 2023 and 2022, respectively	18,707,623	21,798,731
Fixed assets	11,173,823	7,318,443
Right-of-use asset, net	10,281,776	10,820,288
Investment in partnership, at cost	47,024	47,024
Total assets	$ 43,600,056	$ 47,829,039

LIABILTITIES AND NET ASSETS

	2023	2022
LIABILTITIES		
Accounts payable	$ 1,510,368	$ 1,851,630
Deferred revenue	791,489	816,931
Loans payable	25,375,305	28,267,072
Leases payable	12,463,990	12,534,885
Interest payable	120,696	111,662
Other liabilities	428,743	119,070
Total liabilities	40,690,591	43,701,250
NET ASSETS		
Without donor restrictions		
RCF - controlling interest	2,505,653	3,730,454
Non-controlling interests in subsidiaries	403,812	397,335
Total net assets without donor restrictions	2,909,465	4,127,789
Total liabilities and net assets	$ 43,600,056	$ 47,829,039

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

Regional Community Finance, Inc.
Consolidated Statements of Activities
For the years ended December 31, 2023 and 2022

	2023	2022
Revenue and Support		
Rental income	$ 754,917	$ 703,413
Interest income	496,806	575,668
Other income	94,795	174,374
Total revenue	1,346,518	1,453,455
Expenses		
Program services:		
Payroll expense	15,721	12,067
Interest expense	683,559	723,536
Lease expense	1,085,621	1,033,849
Contribution	305,000	-
Allowance for credit losses	(37,052)	-
	2,052,849	1,769,452
Supporting services:		
Legal and professional fees	15	50
Bank fees	747	881
Property and liability insurance	7,371	7,795
Accounting fees	26,743	12,700
Management fees	16,500	21,015
	51,376	42,441
Total expenses	2,104,225	1,811,893
Change in net assets	(757,707)	(358,438)
Net assets at beginning of year	4,127,789	4,318,205
Change in accounting principle (see note 1)	(460,617)	(229,313)
Non-controlling interest contributions	-	397,335
Net assets at end of year	$ 2,909,465	$ 4,127,789

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

Regional Community Finance, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Changes in net assets	$ (757,707)	$ (358,438)
Adjustments to reconcile changes in net assets to cash		
Provided by operating activities:		
Noncash contributions	305,000	-
Amortized interest expense	29,519	52,506
Allowance for credit losses	(37,052)	-
Changes in operating assets and liabilities:		
Accounts receivable	(49,555)	230,293
Interest receivable	37,066	(37,835)
Other assets	(18)	767
Accounts payable	(153,438)	96,926
Other liabilities	309,673	57,555
Interest payable	9,034	(88,334)
Deferred revenues	(25,442)	(27,430)
Operating lease asset	538,512	535,737
Operating lease liability	(70,895)	(68,120)
Net cash provided by operating activities	134,697	393,628
Cash flows from investing activities:		
Funds advanced on notes receivable	-	(3,499,275)
Purchase of fixed assets	(4,348,203)	(4,862,092)
Payment received on notes receivable	2,667,543	783,994
Net cash used in investing activities	(1,680,660)	(7,577,373)
Cash flows from financing activities:		
Proceeds from notes payable	5,000,000	7,426,477
Payments on notes payable	(7,921,287)	(440,797)
Contributions from investment entity	-	397,335
Net cash provided by (used in) financing activities	(2,921,287)	7,383,015
Net increase (decrease) in cash and cash equivalents	(4,467,250)	199,269
Cash and cash equivalents at beginning of year	7,729,307	7,530,038
Cash and cash equivalents at end of year	$ 3,262,057	$ 7,729,307
Reconciliation to Consolidated Statements of Financial Position		
Cash and cash equivalents for cash flow statement include:		
Cash and cash equivalents	$ 571,118	$ 401,251
Restricted cash and cash equivalents	2,690,939	7,328,056
	$ 3,262,057	$ 7,729,307
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 674,525	$ 759,363
Construction costs included in accounts payable	$ 1,491,111	$ 1,678,934

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

Note 1. Summary of Significant Accounting Policies

(a) History and Organization

Regional Community Finance, Inc. (the Organization, or "RCF") is a non-profit organization under the laws of the State of Louisiana and was created to foster low- and moderate-income housing and to promote economic development through community development projects primarily targeted to benefit low- and moderate-income residents. The Organization fulfills this mission by providing community development financing to New Markets Tax Credit financed developments and other real estate projects. The organization was formally known as GCHP Housing Finance, Inc. and changed its name to Regional Community Finance, Inc., on December 19, 2017.

The following partnerships are wholly owned:

GCHP-MLK Leverage Lender, LLC OCH Commercial, LLC

The following partnerships have been consolidated based on RCF's effective control as managing member or controlling member, including percentage of partnership interest:

RCF Pearl, LLC (75% partnership interest)
Pearl MT, LLC (RCF Pearl, LLC is the managing member of Pearl MT, LLC with 1% partnership interest)
The Pearl Clinic, LLC (RCF Pearl, LLC has 95% partnership interest of The Pearl Clinic, LLC)

Other non-consolidated partnership interests include .50% of 2700 Bohn Motor, LLC which is accounted for under the cost method and 21% of GCHP-Elysian II GP, LLC which is accounted for under the equity method. All intercompany transactions have been eliminated.

(b) Basis of Accounting and Presentation of Net Assets

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities to the following net asset classifications.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization had no net assets with donor restrictions as of and during the years ended December 31, 2023 and 2022.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

(c) Use of Estimates

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

(d) Cash and Cash Equivalents

Cash includes amounts on deposit at financial institutions. Cash equivalents represent cash demand deposits and all highly liquid debt instruments with an original maturity of three months or less from the date of purchase.

(e) Restricted Cash and Cash Equivalents

The Organization maintains restricted cash accounts as required by grant and loan agreements.

(f) Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. The Organization uses the direct write-off method to provide for uncollectable accounts. Receivables are charged to bad debt when they are deemed uncollectable. The use of this method does not result in a material difference from the current expected credit loss method required by U.S. GAAP.

(g) Allowance for Credit Losses

RCF has established an allowance for credit losses to provide estimates of uncollectible loans, which is reflected in the consolidated statements of financial position within loans receivable as a contra asset. Although variability is inherent in such estimates, management believes that the allowance for credit losses on loans provided in the consolidated financial statements is adequate. However, because of the small population of loans and limited historical experience, as well as changing, unassessed or inaccurate variables and analysis, actual losses could be significantly more or less than management's estimate. As adjustments to these estimates become necessary, such adjustments are included in current operations as an expense for provision for credit losses in the consolidated statements of activities. On an annual basis, the organization reviews the current level of reserves, and the state of the portfolio to determine the adequacy of the reserve level to cover future losses based on historical experience adjusted for current conditions and

Note 1. Summary of Significant Accounting Policies (Continued)

(g) Allowance for Credit Losses (Continued)

reasonable supportable forecasts.

The organization pools loans for estimating its allowance for credit loss based on the type of loan made and risk rates each based on the following criteria before origination and annually thereafter: Consistency and capability of management; Financial strength or condition; Development plan and projections; Collateral values. In assessing each loan's risk, the Company applies an allowance to each of the pools based on the weighted creditworthiness of each pool.

The organization also addresses the GAAP requirements of the credit loss standard by making an adjustment to the allowance for credit losses. In this process the Company analyzes macro-economic trends in the region and applies them to the loan assets in its portfolio. These scenarios are grounded in factors such as Unemployment, Inflation, and GDP growth, and they adjust the expected loss rate calculations to produce a net residual change to the established allowance for credit losses. This macro-level adjustment is reviewed annually.

Changes in the allowance for credit losses on loans are recorded as provision for credit losses income (expense) on the consolidated statements of activities. After write-off, any recovery is recognized as income in the period in which it was received. A charge-off does not lessen the effort to collect.

Prior to the adoption of the credit loss standard on January 1, 2023, financial assets reported at cost were reviewed for impairment using an incurred loss model.

(h) Debt Issuance Costs

Debt issuance costs is paid in connection with securing the financing of a property are amortized on an interest method basis over the term of the respective loan.

(i) Fixed assets

Fixed assets consists of land that was donated to the Organization on May 28, 2013, and construction in progress that began in 2021.

Impairment of long-lived assets is reviewed whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. Fair market value is determined primarily using appraisals. There were no impairments of long-lived assets recorded by management during the years ended December 31, 2023 and 2022.

(j) Deferred Revenue

Deferred revenue consists of a note receivable purchased by the Organization from Regions Bank as of August 1, 2016 with a loan balance of $750,429 and $766,415 as of December 31, 2023 and 2022, respectively. The purchase price was below the carrying value of the loan; therefore, the

Note 1. Summary of Significant Accounting Policies (Continued)

(j) Deferred Revenue (Continued)

related note receivable is included in notes receivable and deferred revenue on the consolidated statements of financial position. The loan matures on December 27, 2027. The deferred revenue is recognized in revenue as the principal portion of the note is paid to the Organization. For the years ended December 31, 2023 and 2022, $15,986 and $17,975, was recognized as revenue from the note receivable, respectively, and is included in other income.

Deferred fee income revenue consists of fees to be earned by the Organization related to the 2700 Bohn Motor, LLC financing agreement with a deferred balance of $41,060 and $50,516 as of December 31, 2023 and 2022, respectively. The deferred revenue is recognized over the life of the loan, which matures on December 5, 2047. For the years ended December 31, 2023 and 2022, $9,456 and $9,456 was recognized as revenue from the deferred fees, and is included in interest income.

(k) Revenue Recognition

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

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

(l) Expense Allocation

The costs of the various program and supporting services have been summarized on a natural and functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program or support services categories based on specific identification where possible. Payroll is allocated based on estimates of time and effort. Such allocations are determined by management on an equitable basis. All other costs are charged directly to the appropriate functional category.

(m) Tax Exempt Status

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in

Note 1. Summary of Significant Accounting Policies (Continued)

(m) Tax Exempt Status (Continued)

jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

(n) Reclassifications

Certain reclassifications were made to prior year balances to confirm with current year presentation.

(o) Subsequent Events

Management has evaluated subsequent events through the date the consolidated financial statements were available to be issued, September 3, 2024, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

(p) Recently Adopted Accounting Pronouncements

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

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

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

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

RCF has an office lease agreement and sub-lease agreements which are included in these financial statements. As a result of the adoption of the new lease accounting guidance, the Organization recognized, on January 1, 2022, a lease liability of $12,603,005 and a right-of-use asset of $11,356,025, which was adjusted for deferred rent of $1,017,667. Upon adoption, the Organization recorded a decrease in net assets of $229,313, as the cumulative effect of adoption. RCF adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958),

Note 1. Summary of Significant Accounting Policies (Continued)

(p) Recently Adopted Accounting Pronouncements (Continued)

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The adoption of this standard has no significant impact on the Organization.

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13 ("ASU 2016-13"), Financial Instruments – Credit Losses (Topic 326) which requires organizations to measure all expected credit losses for financial instruments held at the reporting date. ASU 2016-13 and subsequent amendments are codified in ASC 326. ASC 326 is effective for all not-for-profit entities for fiscal years beginning after December 15, 2022. The objective of ASC is to require reporting entities to record the expected lifetime credit losses for financial instruments at the time those instruments are originated or purchased.

RCF's adoption of this standard is described earlier in this Note 1. On January 1, 2023 RCF recorded a $460,617 charge to net assets as a result of adopting ASC 326 on a modified retrospective basis.

Note 2. Liquidity and Availability of Resources

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

Financial assets at year-end:	2023	2022
Cash and cash equivalents	$ 3,262,057	$ 7,729,308
Accounts and other receivables	102,040	89,553
Current portion of notes receivable	5,000,000	48,461
Total financial assets	8,364,097	7,867,322
Less: cash and grants receivable with donor or other restriction (Note 1)	(2,690,939)	(7,328,057)
	$ 5,673,158	$ 539,265

RCF maintains cash reserves as required by loan agreements. Cash flow projections for each project, prepared by an independent third party, are included in the transaction process to ensure the receipts from lending activity cover expenditures from financing activities for the organization. As part of its liquidity plan, excess cash is invested in short term investments with maturities of no more than 3 months, including US government securities and certificates of deposit. Funds are invested to ensure full FDIC coverage to the extent permissible by existing loan covenants.

Note 3. Concentration of Credit Risk

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

Note 4. Notes Receivable

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

	2023	2022
Note Receivable – GCHP - 1409 OCH, LLC Note receivable for $1,947,000 dated March 31, 2011. The Note bears interest at a rate per annum of 0.50% payable quarterly beginning July 1, 2011. The note was paid in full in 2023.	$ -	$ 1,892,089
Note Receivable – GCHP-Polybar - QLICI B Note Note receivable for $854,916.85 dated June 27, 2019. The note bears interest at a rate per annum of 1.00% payable in monthly payments of principal and interest in the amount of $3,335.28 commencing on January 31, 2020, through February 29, 2044. The note was paid in full in 2023.	-	759,468
Note Receivable – Old Morrison Partners, L.P. Note receivable for $860,000 dated February 1, 2010, and assigned to the Organization by Regions Bank as of August 1, 2016. The note bears interest at a rate per annum of 5.00% payable monthly beginning September 1, 2016. The note matures December 27, 2027.	750,429	766,415
Notes Receivable - OCH Commercial Leverage Lender, LLC Note receivable for $3,499,275 dated July 1, 2021. The note bears interest at a rate per annum of 1.00% payable quarterly until principal and interest payments begin October 1, 2028. The note matures July 1, 2051.	3,499,275	3,499,275
Note Receivable – Odyssey House Note receivable for $4,858,384 dated December 5, 2017. The note bears interest at a rate per annum of 1.60% payable quarterly beginning December 5, 2017 with principal payments beginning in June 2029. The note matures December 5, 2038.	4,858,384	4,858,384
Note Receivable – GCHP-Elysian, LLC Note receivable for $841,100 dated April 1, 2012 with an interest rate of 0% per annum. Principal is due April 31, 2047. The note was assigned to RCF during the year ended December 31, 2020.	841,100	841,100
Notes Receivable – Odyssey House Note receivable for $5,000,000 dated December 5, 2017. The note bears interest at a rate per annum of 6.09% payable quarterly beginning December 5, 2017. Principal is due at maturity on December 5, 2024.	5,000,000	5,000,000

Note 4. Notes Receivable (Continued)

	2023	2022
Notes Receivable – GCHP-Mid City Note receivable for $1,400,000 dated December 6, 2012, bearing interest at a rate per annum of 0%. The note matures December 5, 2047. Principal is due at maturity on December 5, 2047.	$ 1,400,000	$ 1,400,000
Notes Receivable – The Pearl Investment Fund Note receivable for $2,782,000 dated April 8, 2022, bearing interest at a rate per annum of 1%. The note matures April 8, 2045. Interest is due quarterly until principal and interest payments begin June 5, 2029.	2,782,000	2,782,000
Total notes receivable	$ 19,131,188	$ 21,798,731
Less: Allowance for credit losses	(423,565)	-
Total net notes receivable	$ 18,707,623	$ 21,798,731

The risk characteristics of each loan portfolio segment are as follows:

Loans related to New Markets Tax Credit transactions

For loans that are indirectly secured by the commercial real estate financed for development, RCF establishes requirements related to long-term commercial tenants to ensure that the financing can be supported once the development is complete. Repayment of these loans is primarily dependent on the commercial tenant leases which can be impacted by changes in economic conditions and government policies as most of the tenants are federally supported health care institutions. Risk is mitigated by having the leases in place prior to development starting.

As of December 31, 2023 and 2022, RCF reserved $273,934 and $283,671, respectively, for these loans against potential future losses. The total balance in the loan portfolio as of December 31, 2023 and 2022 was $16,139,659 and $16,139,659.

Community Loans

RCF has made loans to various Community Based organizations for affordable housing related projects. Loans made under this program were anticipated to be repaid through a combination of the projects' operating cash flows and the proceeds of the refinancing of the projects' after the completion of the compliance periods.

As of December 31, 2023 and 2022, RCF reserved $149,631 and $176,946, respectively, for these loans against potential future losses. The total balance in the loan portfolio as of December 31, 2023 and 2022 was $2,991,529 and $5,659,072.

The changes in the allowance for credit losses by loan portfolio segment for the year ended December 31, 2023 is as follows:

Note 4. Notes Receivable (Continued)

	Loans Related to NMTC	Community Loans	Total
Balance at December 31, 2022	$ -	$ -	$ -
Impact of adopting ASC 326	283,671	176,946	460,617
Credit loss expense (recovery)	(9,737)	(27,315)	(37,052)
Balance at December 31, 2023	$ 273,934	$ 149,631	$ 423,565

Note 5. Long-Term Debt

Details of long-term debt are as follows as of December 31:

	2023	2022
Note Payable – New Orleans Redevelopment Authority		
Note payable with New Orleans Redevelopment Authority (NORA) for $2,000,000 dated March 31, 2011. The Note bears interest at a rate per annum of Prime Rate plus 1%, adjusted annually, payable monthly in arrears. Outstanding principal will be amortized over the remaining term of the loan in equal monthly installments payable in arrears. Principal and interest shall be paid out of monthly cash flow. The note was paid in full in 2023.	$ -	$ 2,000,000
Note Payable – State of Louisiana, Office of Community Development (OCD)		
Note payable with State of Louisiana, OCD for $1,000,000 dated November 27, 2013. The note has an interest rate of 1% per annum paid monthly in arrears on the tenth day of the month beginning six months after the initial date of advance of loan proceeds. Commencing eighteen months from the initial advance date, principal will amortize in equal monthly installments over the remaining term of the loan and through October 26, 2019, be deposited into a sinking fund. On October 27, 2019, all deposits in the sinking fund will be paid to lender as a "Balloon Payment" and principal will be due to lender on the tenth of the month in arrears. The note was paid in full in 2023.	-	754,039
Note Payable – Rhodes Loan		
Note payable with 2700 Bohn/Rhodes, LLC for $605,363 dated December 5, 2017. The note matures on December 5, 2024. The note is unsecured.	355,363	355,363

Note 5. Long-Term Debt (Continued)

	2023	2022
Note Payable – Note A		
Note payable with Reinvestment Fund Inc. for $5,000,000 dated December 5, 2017. The note has an interest rate of 6.09% and matures on December 5, 2024. Interest is payable quarterly in arrears. The note is collateralized by a leasehold mortgage and repayment guarantees from GCHP.	$ 4,585,314	$ 4,692,678
Note Payable – New Orleans Redevelopment Authority		
Note payable with New Orleans Redevelopment Authority (NORA)for $500,000 dated December 5, 2017. The note has an interest rate of 2.5% and maturity on December 5, 2037. Interest is payable quarterly in arrears. Principal will be amortized over a forty-year period, beginning the first day of the first month after the disbursement date payable quarterly until the loan is paid in full. Any unpaid principal or accrued interest is due to the lender upon maturity. The loan is collateralized by cash accounts, financial assets, promissory notes executed by Investment Fund (Odyssey House in Note 4), and leasehold mortgage.	471,197	479,047
Note Payable – Bohn Rhodes CDBG		
Note payable with Bohn Rhodes, L.L.C. for $1,500,000 with an interest rate of 1% and maturity on December 5, 2047. Upon advance of loan proceeds, principal shall begin to amortize in equal monthly installments over the period of time beginning six months after the initial date of advance. Loan is due and payable quarterly in arrears. The loan is collateralized by leasehold mortgage, security agreement, and pledge of leases and rents.	1,333,956	1,381,683
Note Payable - AG 2018, LLC		
Note payable with AG 2018, LLC for $140,828 with an interest rate of 1% and matures on July 1, 2051. The principal balance of this Note and interest thereon shall be paid annually commencing on January 1, 2029 solely from available net cash flow received by the Borrower.	140,828	140,828
Note Payable - Home Bank		
Note payable with Home Bank for $202,701 with an interest rate of 4.75% and matures on July 1, 2028. Principal shall amortize in equal monthly installments over the remaining life of the note until the Maturity Date, and payments of principal and interest shall be due and payable to Lender monthly in arrears on the tenth of each month. The unpaid balance of principal and all due and unpaid interest shall be due and payable on June 30, 2051.	191,958	196,063

Note 5. Long-Term Debt (Continued)

	2023	2022
Note Payable - Home Bank		
Note payable with Home Bank for $5,000,000 with an interest rate of Prime + 1.25%. Principal shall begin to amortize in equal monthly installments over the period of time beginning on the Commencement Date and ending on the Maturity Date. and payments of principal and interest shall be due and payable to lender monthly in arrears on the tenth day of each month. The note was paid in full in 2023.	$ -	$ 5,000,000
Notes Payable - GCHP-NMTC19 #3 Note A-1		
Note payable with GCHP-NMTC19 #3, LLC for $76,375 with an interest rate of 1.31% and matures on June 30, 2056. Upon advancement of the note interest is payable quarterly. Principal payments will begin in 2028 with payments of principal and interest due quarterly.	76,375	76,375
Notes Payable - GCHP-NMTC19 #3 Note A-2		
Note payable with GCHP-NMTC19 #3, LLC for $3,492,900 with an interest rate of 1.31% and matures on June 30, 2056. Upon advancement of the note interest is payable quarterly. Principal payments will begin in 2028 with payments of principal and interest due quarterly.	3,492,900	3,492,900
Notes Payable - GCHP-NMTC19 #3 Note B		
Note payable with GCHP-NMTC19 #3, LLC for $1,507,100 with an interest rate of 1.31% and matures on June 30, 2056. Upon advancement of the note interest is payable quarterly. Principal payments will begin in 2028 with payments of principal and interest due quarterly.	1,507,100	1,507,100
Notes Payable - GCHP-NMTC19 #3 Note C		
Note payable with GCHP-NMTC19 #3, LLC for $1,228,625 with an interest rate of 1.31% and matures on June 30, 2056. Upon advancement of the note interest is payable quarterly. Principal payments will begin in 2028 with payments of principal and interest due quarterly.	1,228,625	1,228,625
Notes Payable - GCHP-NMTC19 #2 Note A		
Note payable with GCHP-NMTC19 #2, LLC for $2,782,000 with an interest rate of 1.09% and matures on April 8, 2057. Upon advancement of the note interest is payable quarterly. Principal payments will begin in 2029 with payments of principal and interest due quarterly.	2,782,000	2,782,000
Notes Payable - GCHP-NMTC19 #2 Note B		
Note payable with GCHP-NMTC19 #2, LLC for $2,068,000 with an interest rate of 1.09% and matures on April 8, 2057. Upon advancement of the note interest is payable quarterly. Principal payments will begin in 2029 with payments of principal and interest due quarterly.	2,068,000	2,068,000

Note 5. Long-Term Debt (Continued)

	2023	2022
Notes Payable - Trustmark HTC Bridge Loan		
Note payable with Trustmark HTC Bridge Loan for $910,976 with an interest rate of SOFR + 2.35% and matures on April 8, 2025. Interest is payable monthly. Principal balance is payable on at maturity on April 8, 2025.	$ 910,976	$ 910,976
Notes Payable - GCHP HHS Term Loan		
Note payable with GCHP for $800,000 with an interest rate of 0.00% and matures on April 8, 2052. Principal balance is payable annually at $100 with the remaining balance due at maturity on April 8, 2052.	799,800	800,000
Notes Payable - GCHP Source Leverage Loan		
Note payable with GCHP for $1,200,000 with an interest rate of 4.50% and matures on April 8, 2037. Interest is payable quarterly in arrears, beginning June 1, 2022, and continuing on the first day of each month thereafter. Beginning in the first full month after the project has been placed in service, interest shall accrue at the rate set forth in the Note, with payments of principal and interest in arrears based on a 30-year amortization schedule. All remaining principal and interest shall be due and payable in full on April 8, 2037.	1,200,000	1,200,000
Note Payable – State of Louisiana, Office of Community Development (OCD)		
Note payable with State of Louisiana, OCD for $5,000,000 dated July 27, 2021. The note has an interest rate of 1% per annum paid monthly in arrears on the tenth day of the month beginning six months after the initial date of advance of loan proceeds. The note matures on June 30, 2051.	5,000,000	-
Total long-term debt	$ 26,144,392	$ 29,065,677
Less unamortized debt issuance costs	769,087	798,605
Total long-term debt, net	$ 25,375,305	$ 28,267,072

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

2024	$ 4,676,841
2025	993,928
2026	84,837
2027	86,788
2028	86,269
Thereafter	20,215,729
	$ 26,144,392

Note 6. Related Party Transactions

A Director and related party of RCF is also the President of Gulf Coast Housing Partnership, Inc. ("GCHP") which is the parent company of GCHP-Management, LLC, GCHP-Mid City, Old Morrison Partners, L.P. and GCHP – Polybar, LLC.

The Organization has contracted with GCHP-Management, LLC to provide management services. During the years ended December 31, 2023 and 2022, the Organization was charged $34,056 and $34,056, respectively for management services by GCHP-Management, LLC.

The Organization has entered into a note payable on July 1, 2021, with AG 2018, LLC, a subsidiary of GCHP, for $140,828 with an interest rate of 1% and matures on July 1, 2051. The principal balance of this Note and interest thereon shall be paid annually commencing on January 1, 2029, solely from available net cash flow received by the Borrower.

The Organization has numerous outstanding notes payable, in the amount of $13,154,800 and $13,155,000, and notes receivable, in the amount of $2,991,529 and $5,659,072, with GCHP and subsidiaries over the normal course of business as of December 31, 2023 and 2022, respectively.

Note 7. Leases

The Organization leases the property at 2700 South Broad Avenue from 2700 Bohn Motor, L.L.C. for $47,583 per month until 2025, $72,458 per month until 2029 and $97,916 per month in 2029 with annual increases of 2.5% until the initial lease expires on April 1, 2038. Lease expense related to this operating lease was for $1,085,621 and $1,033,849 for the years ended December 31, 2023 and 2022; respectively. Other information related to leases was as follows as of December 31 2023 and 2022 is as follows:

	2023	2022
Supplemental Cash Flows Information		
Cash paid for amounts included in the measurement of lease liabilities:	$ 571,000	$ 571,000
Operating leases		
Weighted Average Remaining Lease Term		
Operating leases	14.33	15.33
Weighted Average Discount Rate		
Operating leases	4.00%	4.00%

Future minimum lease payments under non-cancellable leases are as follows:

Year ended December 31,	
2024	$ 571,000
2025	869,500
2026	869,500
2027	869,500
2028	869,500
Thereafter	13,020,063
Total future minimum lease payments	17,069,063
Less imputed interest	(4,605,073)
Total	$12,463,990

Note 7. Leases (Continued)

On December 5, 2017, the Organization provided financing in the form of two loans totaling $9,858,384 to an investment fund that made investments under the New Markets Tax Credit program for the development of the property at 2700 South Broad Avenue. The Organization signed an Option Agreement with GS Group NMTC INVESTOR LLC, the tax credit investor in the investment fund, to acquire the tax credit investor's interest at the end of the Tax Credit Investment Period. This option will begin at the end of 2024.

As a result of this Option Agreement, and as is typical with investments made related to the New Markets Tax Credit program, all the agreements related to the financing and construction of 2700 South Broad Street on or around December 5, 2017, including this operating lease, will be renegotiated when the option is exercised.

The Organization entered into an operating lease with Odyssey House Louisiana, LLC for the property described above, receivable in monthly payments of $52,181. The lease began during the year ended December 31, 2019, and will end on the tenth anniversary of the commencement of the lease.

In addition to the monthly rental payments, the lessee will also pay additional rent for the increase in common area maintenance costs paid by RCF based on the actual costs compared to the costs paid in the first year of the lease.

The Organization entered into an operating lease with Odyssey House Louisiana, LLC for additional space in the property described above, receivable in monthly payments of $6,270. Lease payments began in January 2021 and will end on the fifth anniversary of the commencement of the lease.

Rental revenue under the lease for the years ended December 31, 2023 and 2022 were $754,917 and $703,413, respectively.

Future minimal rental receipts under the leases are as follows:

Year ended December 31,	Minimum Rent
2024	$ 701,412
2025	701,412
2026	626,172
2027	626,172
2028	626,172
Thereafter	626,172
	$ 3,97,512

<u>Chief Executive Officer Name: Scott Simmons</u>

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

Regional Community Finance, Inc. does not meet the requirement to report the total compensation, reimbursements, and benefits paid to the Chief Executive Officer as these costs are not supported by public funds.

See accompanying independent auditor's report.

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

To the Board of Directors
Regional Community Finance, Inc.

We have audited, in accordance with the 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, the consolidated financial statements of Regional Community Finance, Inc. (RCF) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, 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 September 3, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether RCF'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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

RCF's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on RCF's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. RCF 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 RCF's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RCF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
September 3, 2024

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

To the Board of Directors of
Regional Community Finance, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Regional Community Finance, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles,* and *Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the consolidated financial statements of Regional Community Finance, Inc. as of and for the year ended December 31, 2023, and have issued our report thereon dated September 3, 2024, 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 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.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
September 3, 2024

Regional Community Finance, Inc.
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2023

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development					
Pass-through program from:					
Louisiana Office of Community Development					
Community Development Block Grants/State's Grants and Non-entitlement Grants in Hawaii	14.228	B-06-DG-22-0002	$ 5,000,000	$ -	$ 5,000,000

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – This schedule includes the activity of Regional Community Finance, Inc. (the Organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2: INDIRECT COST RATE

The Organization has not elected to use the de minimis indirect cost rate.

Note 3: NOTES PAYABLE TO STATE AGENCIES

The Organization did not expend federal awards related to loans or loan guarantees during the year. The Organization expended $5,000,000 of state agency loans related to federal awards during the year.

Note 4: FEDERALLY FUNDED INSURANCE

The Organization has no federally funded insurance.

Note 5: NONCASH ASSISTANCE

The Organization did not receive any federal noncash assistance for the fiscal year ended December 31, 2023.

Note 6: RECONCILIATION OF FEDERAL EXPENDITURES

Below is a reconciliation of the schedule of expenditures of federal awards to the notes payable as presented on the consolidated statements of financial position of the Organization.

December 31, 2023:	
Total draws on notes payable due to state agencies under ALN 14.228	$ 5,000,000
Notes payable due to nonpublic entities	21,144,391
Total long-term debt	$ 26,144,391

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(es) identified?	None noted
Noncompliance material to consolidated financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(es) identified?	None noted
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)?	No

Identification of major federal programs:

Assistance Listing Number	Federal Program or Cluster
14.228	Community Development Block Grants/State's Grants and Non-entitlement Grants in Hawaii

Dollar threshold used to distinguish between type A and B programs was $750,000 for major federal programs.

Auditee qualified as a low-risk auditee for federal purposes?	No

Section II: CONSOLIDATED FINANCIAL STATEMENT FINDINGS

Finding 2023-001 Noncompliance – LATE FILING FINDING

Criteria: Per Louisiana Revised Statute 24:513, the Organization is required to complete and submit an audit to the Louisiana Legislative Auditor "within six months of the close of the local auditee's or vendor's fiscal year."

Condition: The Organization did not complete and submit the audit to the Louisiana Legislative Auditor within the required time period.

Cause: The Organization engaged with new auditors for the current audit period.

Effect: Federal, state, or local awards could be withheld if the required report is not submitted timely.

Recommendation: We recommend that the Organization implement controls and processes to ensure all required reports are submitted timely.

Management Response: See corrective action plan on page 32.

Section III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

Section IV: SUMMARY OF PRIOR AUDIT FINDINGS

None noted.

Regional Community Finance, Inc.

September 3, 2024

To The Louisiana Legislative Auditor and Carr, Riggs & Ingram, LLC

RE: Management's Response to Consolidated Financial Statement Findings

CORRECTIVE ACTION PLAN

Finding 2023-001 Noncompliance – LATE FILING FINDING

Planned Corrective Action: Management will implement controls and processes to ensure that the audit is submitted within the required time period.

Anticipated Completion Date: June 30, 2025

Responsible Party: Richard Campbell, CFO

Richard Campbell
Chief Financial Officer

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Regional Community Finance, Inc.
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor (LLA)'s Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period January 1, 2023 through December 31, 2023. Regional Community Finance, Inc. (RCF)'s management is responsible for those C/C areas identified in the SAUPs.

RCF has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtained and inspect RCF's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

      Results: Exception noted, the Budgeting Policy does not address monitoring or amending the budget.

   b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Results*:* Exception noted because the Purchasing Policy does not address how vendors are added to the vendor list.

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Results*:* Exception noted, the Contracting Policy does not address standard terms and conditions commonly found in their contracts.

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

Results: Not applicable because RCF does not have any travel related expenses.

h) ***Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Results: Not applicable because RCF does not have any credit cards.

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

Results: Not applicable for RCF because RCF is a non-profit entity.

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

Results: Not applicable for RCF because RCF is a non-profit entity.

k) ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: No exceptions were found as a result of applying the procedure.

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

Results: Not applicable for RCF because RCF is a non-profit entity.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: No exceptions were found as a result of applying the procedure.

b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on proprietary funds, and semi-annual budget- to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Results: Not applicable for RCF because it does not report on the governmental accounting model.

c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Results: Not applicable for RCF because RCF is a non-profit entity.

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

Results: No exceptions were found as a result of applying the procedure.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

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

   Results: No exceptions were found as a result of applying the above procedure.

   b) Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and

   Results: No exceptions were found as a result of applying the above procedure.

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

   Results: No exceptions were found as a result of applying the above procedure.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

   Results: No exceptions were found as a result of applying the above procedure.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

   a) Employees that are responsible for cash collections do not share cash drawers/registers.

      Results: No exceptions were found as a result of applying the above procedure.

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

      Results: No exceptions were found as a result of applying the above procedure.

   c) Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

      Results: No exceptions were found as a result of applying the above procedure.

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

      Results: No exceptions were found as a result of applying the above procedure.

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

   Results: No exceptions were found as a result of applying the above procedure.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits

are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

a) Observe that receipts are sequentially pre-numbered.

Results: No exceptions were found as a result of applying the above procedure.

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

Results: No exceptions were found as a result of applying the above procedure.

c) Trace the deposit slip total to the actual deposit per the bank statement.

Results: No exceptions were found as a result of applying the above procedure.

d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100 and the cash is stored securely in a locked safe or drawer).

Results: No exceptions were found as a result of applying the above procedure.

e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of applying the above procedure.

Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

   Results: No exceptions were found as a result of applying the above procedure.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

   Results: No exceptions were found as a result of applying the procedure.

b) At least two employees are involved in processing and approving payments to vendors.

Results: No exceptions were found as a result of applying the procedure.

c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Results: No exceptions were found as a result of applying the procedure.

d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: Exceptions noted, the check signer does not mail payment nor gives payment to someone who is not responsible for processing payment.

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

Results: No exceptions were found as a result of applying the procedure.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

10. For each location selected under procedure #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

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

Results: No exceptions were found as a result of applying the above procedure.

b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #9 above, as applicable.

Results: No exceptions were found as a result of applying the above procedure.

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

account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: No exceptions were found as a result of applying the above procedure.

Contracts

12. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively–, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

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

    Results: No exceptions were found as a result of applying the procedure.

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

    Results: No exceptions were found as a result of applying the procedure.

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

    Results: No exceptions were found as a result of applying the procedure.

    d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

    Results: No exceptions were found as a result of applying the procedure.

Payroll and Personnel

13. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

    Results: No exceptions were found as a result of applying the above procedure.

14. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #13 above, obtain attendance records and leave documentation for the pay period, and:

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

       Results: No exceptions were found as a result of applying the above procedure.

    b) Observe that supervisors approved the attendance and leave of the selected employees or officials.

       Results: No exceptions were found as a result of applying the above procedure.

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

       Results: No exceptions were found as a result of applying the above procedure.

    d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

       Results: No exceptions were found as a result of applying the above procedure.

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

    Results: No exceptions were found as a result of applying the above procedure.

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

    Results: No exceptions were found as a result of applying the above procedure.

Fraud Notice

17. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Results: No exceptions were found as a result of applying the above procedure.

18. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

    Results: Exceptions noted, the entity did not have the notice required by R.S. 24:523.1 posted on its premises and website.

Information Technology Disaster Recovery/Business Continuity

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

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

       Results: We performed the procedure and discussed the results with management.

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

       Results: We performed the procedure and discussed the results with management.

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

       Results: Not applicable because RCF does not have its own computers.

20. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #15. Observe evidence that the selected terminated employees have been removed or disabled from the network.

    Results: We performed the procedure and discussed the results with management.

21. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #19, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

1. Hired before June 9, 2020 - completed the training; and

2. Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Results: Not applicable because RCF does not have public funding that involves IT assets.

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

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

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

Carr, Riggs & Ingram, L.L.C.

September 3, 2024