GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

P&N Postlethwaite & Netterville
A Professional Accounting Corporation
www.pncpa.com

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Independent Auditors' Report

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

We have audited the accompanying consolidated statements of financial position of Gulf Coast Housing Partnership, Inc. and its subsidiaries (GCHP) as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gulf Coast Housing Partnership, Inc. and its subsidiaries as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Postlethwaite & Netterville

Metairie, Louisiana
April 23, 2013

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

Assets

	2012	2011
Current assets		
Cash and cash equivalents	$ 2,634,054	$ 2,250,901
Receivables	1,124,334	869,802
Prepaids	136,339	34,967
Restricted cash and cash equivalents	1,647,517	6,418,105
Total current assets	5,542,244	9,573,775
Restricted cash and cash equivalents	7,977,355	13,335,609
Real estate held for development and sale	9,378,309	6,394,353
Property and equipment		
Property and equipment, net of accumulated depreciation	41,122,325	22,845,912
Construction in progress	1,194,433	8,924,789
Total property and equipment, net of accumulated depreciation	42,316,758	31,770,701
Other assets	797,372	402,743
Investment in partnerships	1,171,617	387,071
Developer fee receivable	1,316,204	1,833,140
Notes receivable	4,617,612	2,050,000
Total assets	$ 73,117,471	$ 65,747,392

Liabilities and Net Assets

	2012	2011
Current liabilities		
Accounts payable	$ 118,378	$ 231,890
Current maturities of long-term debt	26,962	2,779,518
Construction costs payable	3,216,170	2,873,918
Management fees payable-related party	98,806	98,494
Other payables	143,119	97,639
Total current liabilities	3,603,435	6,081,459
Long-term liabilities		
Deferred revenue	2,710,719	3,386,084
Other long-term payable	528,578	164,063
Long-term debt, less current maturities	46,459,078	40,375,867
Total long-term liabilities	49,698,375	43,926,014
Total liabilities	53,301,810	50,007,473
Net assets		
Unrestricted:		
GCHP	17,129,365	14,019,231
Non-controlling interests in subsidiary	2,020,078	808,512
Total unrestricted net assets	19,149,443	14,827,743
Temporarily restricted	666,218	912,176
Net assets	19,815,661	15,739,919
Total liabilities and net assets	$ 73,117,471	$ 65,747,392

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Contributions, donations, and grants	$ 1,165,125	$ -	$ 1,165,125	$ 2,067,035	$ 368,531	$ 2,435,566
Development fees	1,902,072	-	1,902,072	1,462,379	-	1,462,379
Federal grants	1,942,833	-	1,942,833	809,822	-	809,822
Miscellaneous revenue	465	-	465	501,110	-	501,110
Interest income on projects	200,491	-	200,491	302,622	-	302,622
Forgiveness of debt	995,314	-	995,314	272,500	-	272,500
Property operations rental income	846,891	-	846,891	259,714	-	259,714
Management fees	158,979	-	158,979	40,000	-	40,000
Rental income	14,825	-	14,825	31,350	-	31,350
Interest income on cash and cash equivalents	15,029	-	15,029	25,030	-	25,030
Net assets released from restrictions	245,958	(245,958)	-	180,598	(180,598)	-
Total support and revenue	7,487,982	(245,958)	7,242,024	5,952,160	187,933	6,140,093
Expenses:						
Salaries and benefits	1,539,126	-	1,539,126	1,331,777	-	1,331,777
Depreciation and amortization	838,133	-	838,133	540,177	-	540,177
Property operating expense	750,359	-	750,359	478,871	-	478,871
Interest expense	738,933	-	738,933	419,777	-	419,777
Administrative	752,866	-	752,866	338,460	-	338,460
Incentive management fee	98,806	-	98,806	98,494	-	98,494
Property taxes and insurance	54,339	-	54,339	42,739	-	42,739
Rent	10,125	-	10,125	27,001	-	27,001
Total expenses	4,782,687	-	4,782,687	3,277,296	-	3,277,296
Change in net assets	2,705,295	(245,958)	2,459,337	2,674,864	187,933	2,862,797
Net assets at beginning of period	14,827,743	912,176	15,739,919	11,825,738	724,243	12,549,981
Non-controlling members' contributions to subsidiary	1,616,405	-	1,616,405	327,141	-	327,141
Net assets at end of year	$ 19,149,443	$ 666,218	$ 19,815,661	$ 14,827,743	$ 912,176	$ 15,739,919

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

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Changes in net assets	$ 2,459,337	$ 2,862,797
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	781,846	510,295
Forgiveness of debt	(995,314)	(272,500)
Amortization of deferred fees	56,287	29,594
Donated property	(301,500)	(926,566)
Changes in operating assets and liabilities:		
Increase in receivables	(310,449)	(628,520)
Decrease (increase) in developer fee receivable	516,936	(243,695)
(Increase) decrease in prepaids	(101,372)	40,962
(Decrease) increase in accounts payable	(113,512)	1,180,906
(Decrease) increase in deferred revenue	(675,365)	1,099,404
Increase in other payables	409,995	127,003
Increase in management fees payable	312	20,787
Decrease in interest payable	-	(220,622)
Net cash provided by operating activities	1,727,201	3,579,845
Cash flows from investing activities:		
Purchases of real estate, property, and equipment	(13,668,107)	(17,288,440)
(Funds advance) collections on notes receivable	(2,567,612)	3,636,886
Investment in McCaleb Supportive Housing L.L.C.	(784,546)	(387,071)
Net cash used in investing activities	(17,020,265)	(14,038,625)
Cash flows from financing activities:		
Proceeds from notes payable	15,593,398	32,587,669
Payments on notes payable	(11,267,429)	(15,725,826)
Contributions from non-controlling interests	1,616,405	327,141
Deferred fees paid	(360,688)	(247,702)
Payment of other assets related to loan costs	(34,311)	(9,285)
Net cash provided by financing activities	5,547,375	16,931,997
Net (decrease) increase in cash and cash equivalents	(9,745,689)	6,473,217
Cash and cash equivalents at beginning of year	22,004,615	15,531,398
Cash and cash equivalents at end of year	$ 12,258,926	$ 22,004,615
Supplemental Disclosure of Cash Flow Information:		
Donation of land and property	$ 301,500	$ 115,000
Donation of houses	$ -	$ 784,566
Donation of property rental	$ -	$ 27,000
Cash paid for interest	$ 868,077	$ 1,020,607
Reconciliation to Statements of Financial Position		
Cash and cash equivalents for cash flow statement include:		
Cash and cash equivalents	$ 2,634,054	$ 2,250,901
Restricted cash	9,624,872	19,753,714
	$ 12,258,926	$ 22,004,615

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

(1) Summary of Significant Accounting Policies

(a) History and Organization

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

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

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

Gulf Coast Housing Partnership, L.L.C.
GCHP-NDF, L.L.C.
GCHP-Venus Gardens, L.L.C.
Ephesus Seniors Housing, L.L.C.
GCHP-Scott, L.L.C.
OSBR Land, L.L.C.
GCHP-Hammond, L.L.C.
GCHP-Jericho, L.L.C.
GCHP-Esplanade, L.L.C.
GCHP-Spanish Town, L.L.C.
GCHP Gert Town, L.L.C.*
GCHP 1854 GP, L.L.C.*
GCHP-Claiborne MM, L.L.C.*
GCHP-Management, L.L.C.
GCHP-1409 OCH, L.L.C.
1854 North Street, L.L.C.
GCHP-Claiborne, L.L.C.
1122 OCH, L.L.C.
King Rampart L.L.C.
GCHP-Andrew L.L.C.
GCHP-Canal, L.L.C.
GCHP-Westwego, L.L.C.
Highland Terrace, L.L.C.
GCHP PolyBar, L.L.C.*
1840 Baronne L.L.C.*

* Denotes entity was formed in 2012.

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

GCHP-Muses, L.L.C.
GCHP-Elysian, L.L.C.

The following partnerships have been consolidated based on GCHP's ownership percentage:

51% of Midtown Land, L.L.C.
99% of GCHP-Mid City GP, L.L.C.
52% of GCHP-One Stop, L.L.C
99% of GCHP-MLK Development L.L.C.
51% of Gert Town Partnership for Progress, L.L.C.

(1) Summary of Significant Accounting Policies (continued)

(a) History and Organization (continued)

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

.01% of GCHP-1610 OCH, L.L.C.
.01% of GCHP-Mid City, L.L.C.
.01% of GCHP-MLK, L.L.C.

Other partnership interests are as follows:

50% of Elysian Manager, L.L.C
.005% of The Elysian, L.L.C.
50% of McCaleb Supportive Housing, L.L.C.
.005% The Muses LTD 1

Elysian Manager L.L.C. and McCaleb Supportive Housing, L.L.C. are accounted for as equity method investments. The Elysian, L.L.C. and The Muses LTD 1 are carried at cost.

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

(b) Financial Statement Presentation

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

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

(c) Uses of Estimates

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

(1) Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

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

(e) Receivables

Receivables are charged to bad debt when they are deemed uncollectible. As of December 31, 2012 and 2011, management deemed that no allowance for uncollectible accounts was necessary.

(f) Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and promises become unconditional. As of December 31, 2012 and 2011, GCHP had no unconditional promises to give.

(g) Amortization of Deferred Fees

Loan fees paid in connection with securing the financing of a property are amortized on a straight-line basis over the term of the respective loan. Mortgage costs are amortized over the term of the permanent mortgage loan using the straight-line method. Tax credit costs are amortized over the tax credit period using the straight-line method. Accumulated amortization as of December 31, 2012 and 2011 was $137,432 and $80,153, respectively. Amortization expense was $56,287 and $29,594 for the years ended December 31, 2012 and 2011, respectively.

(h) Tax Exempt Status

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

(1) Summary of Significant Accounting Policies (continued)

(h) Tax Exempt Status (continued)

Management has reviewed all of the entities where GCHP has an ownership interest for any potential tax effects as of December 31, 2012 and 2011; GCHP has determined that no tax expense or tax liability should be provided for in the consolidated financial statements of GCHP.

GCHP applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50 percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, GCHP has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities, therefore the implementation of this standard has not had a material effect on GCHP. GCHP's tax returns for the years ended December 31, 2011, 2010 and 2009 remain open and subject to examination by taxing authorities. GCHP's tax return for the year ended December 31, 2012 has not yet been filed.

(i) Real Estate Development

GCHP capitalizes project costs which include acquisition and predevelopment, (real estate held for development and sale) and construction costs, property taxes and insurance incurred as part of construction-in-progress (construction in progress) for each of its projects. GCHP also capitalizes interest charges from debt related to these specific projects. Interest capitalized was $129,978 and $425,157 for the years ended December 31, 2012 and 2011, respectively. When projects are sold, the related cost and accumulated depreciation as applicable are removed from the accounts; any gain or loss is included in the Consolidated Statements of Activities.

(j) Development Fees

GCHP recognizes development fee revenue when collected. Development fees not deferred are recognized as revenue when invoiced and deemed collectible.

(k) Deferred Revenue

Included in deferred revenue are recoverable grants totaling $1,283,496 and $1,283,496 and deferred development fees of $1,364,188 and $2,039,553 at December 31, 2012 and 2011, respectively. Recoverable grants are amounts that are contractually due back to the grantor after a specified time period. Development fees are deferred based on either the contractual agreement for a respective project or deferred because of GCHP's revenue recognition policy. At December 31, 2012 and 2011, development fees deferred based on contractual agreements were $553,325 and 701,635 and development fee revenue deferred due to GCHP's revenue recognition policy were $810,683 and 1,337,918, respectively.

(1) Summary of Significant Accounting Policies (continued)

(l) Rental Income

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

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

(2) Concentration of Credit Risk

Financial instruments that potentially subject GCHP to credit risk include cash deposits in excess of federally insured limits. As of December 31, 2012, GHCP had $1,982,063 in uninsured balances. At December 31, 2012, accounts not subject to the federally insured limits included $1,577,190 secured by government securities and $6,202 held in a trust escrow account.

During the year ended December 31, 2012, GCHP received 54% of its contributions, donations, grants and federal grants from two contributors. During the year ended December 31, 2011, GCHP received 47% of its contributions, donations, grants and federal grants from three contributors. The support from these contributors for 2012 and 2011 was for project specific subsidies and did not impact GCHP's ability to continue to function at its current level of operations.

(3) Restricted Cash and Cash Equivalents

GCHP maintains restricted cash accounts as required by grant and loan agreements. Restricted cash available to pay current liabilities is classified under current assets.

(4) Property and Equipment

Property and equipment are recorded at acquisition or construction costs and are depreciated on a straight-line basis over their estimated useful life of 20 to 40 years for buildings and improvements and 3 to 10 years for furniture, equipment, and fixtures. Items which are contributed are recorded at fair value. Maintenance and repairs are expensed as incurred and major improvements are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the Consolidated Statements of Activities. Depreciation expense was $781,846 and $510,295 for the years ended December 31, 2012 and 2011, respectively.

Property and equipment is summarized as follows at December 31:

	2012	2011
Land, lots, and improvements	$ 4,227,503	$ 2,687,716
Construction in progress	1,194,433	8,924,789
Buildings	37,036,753	20,415,305
Furniture, equipment, and fixtures	1,238,298	341,274
	43,696,987	32,369,084
Less : Accumulated depreciation	(1,380,229)	(598,383)
	$ 42,316,758	$ 31,770,701

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

In May 2009, GCHP-Westwego, L.L.C., a wholly owned subsidiary of GCHP, entered into a cooperative endeavor agreement with the State of Louisiana, Division of Administration, Louisiana Recovery Authority ("State"), whereby the State would construct single family residential homes. These homes would be made available for future rental for a two year period and subsequent sale thereafter to third parties by GCHP-Westwego, L.L.C. During 2011, 5 homes were completed and donated to GCHP-Westwego, L.L.C. The donated buildings were recorded at cost which approximated fair value in the amount of $784,566.

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the estimated cost to dispose. There were no impairments of long-lived assets recorded by management during the years ended December 31, 2012 and 2011.

(5) Notes Receivable

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

	2012	2011
The Elysian, L.L.C. - (East Baton Rouge Parish Redevelopment funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	$ 757,000	$ -
The Elysian, L.L.C. - (Office of Community Development funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	587,963	-
The Elysian, L.L.C. - (Louisiana Housing Finance Agency funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	456,821	-
Reconcile New Orleans, Inc. - (Health and Human Services funds) note receivable with interest rate at 0% per annum; principal is due December 31, 2041. The note is secured by real estate.	765,828	-
The Muses Ltd 1 - (HOME funds) note receivable with interest rate at 2.75% per annum; principal and accrued interest are due May 31, 2026. The note is secured by real estate, but is subordinate to mortgages held by CUB, OCD (State of LA), and CNO.	2,000,000	2,000,000
The Muses Ltd 1 - (Enterprise funds) note receivable with interest rate at 0% per annum (imputed interest is insignificant); principal and accrued interest are due at the earlier of the sale and/or the refinancing of The Muses Ltd 1 or October 1, 2039.	50,000	50,000
Total notes receivables	4,617,612	2,050,000
Less current maturities	-	-
Total notes receivable, less current portion	$ 4,617,612	$ 2,050,000

Accrued interest receivable on the above notes totaled $190,244 and $134,327 as of December 31, 2012 and 2011, respectively.

(6) Long-Term Debt

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

	2012	2011
Corporate Debt		
Notes Payable – Monarch		
Note payable with Monarch Community Fund L.L.C. for $500,000 dated July 15, 2008, amended August 15, 2011. Note has an interest rate of 4.50% per annum. Semi-annual interest payments were made starting September 1, 2008. Principal is due at August 15, 2014. The note is unsecured.	$ 500,000	$ 500,000
Notes Payable – Trinity		
Note payable with Trinity Church for $100,000 dated April 30, 2009. Note has an interest rate of 1% per annum. Semi-annual interest payments were made starting October 31, 2009. Principal is due at April 30, 2014. The note is unsecured.	100,000	100,000
Notes Payable – Isaiah		
Note payable with Isaiah Fund for $500,000 dated June 1, 2009. Note has an interest rate of 4.25% per annum. Semi-annual interest payments were made starting July 31, 2009. Principal is due at June 1, 2014. The note is unsecured.	500,000	500,000
Notes Payable - Enterprise		
Note payable agreement with the Enterprise Community Loan Fund Inc, a related party, for $2,000,000 dated May 3, 2010. Note has an interest rate of 2% payable per annum. Interest is payable annually on December 31st. Principal and accrued interest is due on June 16, 2016. The note is unsecured	2,000,000	2,000,000
Notes Payable – Ford		
Note payable with the Ford Foundation for $3,000,000 dated October 8, 2008. Note has an interest rate of 1% per annum. Quarterly interest payments were made starting December 31, 2008. Principal is due in four installments: $1,000,000 due each on October 8, 2015 and October 8, 2016; and $500,000 due each on October 8, 2017 and October 8, 2018. The note is unsecured.	3,000,000	3,000,000
Notes Payable – MacArthur		
Note payable with the John D. and Catherine T. MacArthur Foundation for $1,500,000 dated September 16, 2008. Note has an interest rate of 2% per annum. Quarterly interest payments were made starting December 31, 2008. Principal will be due in two installments of $750,000 each on October 1, 2017 and October 1, 2018. The note is unsecured.	1,500,000	1,500,000

(6) Long-Term Debt (continued)

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

	2012	2011
Corporate Debt (continued)		
Note Payable – Calvert Social Investment Foundation		
Note payable with Calvert Social Investment Foundation for \$300,000 dated March 1, 2011. Note has an interest rate of 4.5% per annum paid semi-annually on March 1 and September 1 during the term of the note. Principal is due March 1, 2014. The note is unsecured.	\$ 300,000	\$ 300,000
Note Payable – Baptist Health Systems		
Note payable with Baptist Health Systems for \$100,000 dated February 1, 2011. Note has an interest rate of 1.0% per annum paid semi-annually on June 1 and December 1 during the term of the note. Principal is due February 1, 2016. The note is unsecured.	100,000	100,000
Note Payable – Walker Foundation		
Note payable with Walker Foundation for \$250,000 dated January 5, 2011. Note has an interest rate of 1.0% per annum paid semi-annually on June 1 and December 1 during the term of the note. Principal is due January 5, 2016. The note is unsecured.	250,000	250,000
Note Payable – The Joe W. and Dorothy Dorsett Brown Foundation		
Note payable with The Joe W. and Dorothy Dorsett Brown Foundation for \$300,000 dated June 1, 2011. Note has an interest rate of 4.5% per annum paid monthly on the first day of each subsequent month during the term of the note. Principal is due June 1, 2014. The note is unsecured.	300,000	300,000
Note Payable – Community Housing Capital Line of Credit		
Note payable with Community Housing Capital for \$4,000,000, dated September 13, 2011. Note has an interest rate of 6.5% per annum paid in arrears in monthly installments, beginning on November 1, 2011. Principal is due July 31, 2015. The note is secured by a pledged deposit account in the amount of \$1,000,000.	2,694,422	-
Note Payable – Sachs Foundation		
Note payable with Sachs Foundation for \$200,000 dated October 15, 2012. Note has an interest rate of 2% per annum paid semi-annually on April 15 and October 15. Principal is due October 15, 2017. This note is unsecured.	200,000	-
Forgivable Note Payable – State of Louisiana, OCD		
Note payable with State of Louisiana, Office of Community Development for \$4,000,000, dated April 1, 2012. Note is forgivable five years after maintaining compliance with occupancy requirements. The note has an interest rate of 0% per annum. All outstanding principal shall be due and payable on April 1, 2047. The note is collateralized by real estate.	587,963	-

(6) Long-Term Debt (continued)

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

	2012	2011
Subsidiary Debt		
GCHP-Westwego, L.L.C.		
Note Payable-CHC		
Note payable with Community Housing Capital for $834,384 dated May 14, 2009, and amended on August 7, 2012. The amended note has an interest rate of 6.5% per annum. Commencing September 1, 2012, monthly principal and interest payments of $5,268.75 are due. The remaining principal balance and any accrued interest is due in full on August 7, 2017. The note is collateralized by the property owned by GCHP- Westwego, L.L.C.	$ 829,765	$ 834,384
GCHP-Canal, L.L.C.		
Note Payable – Unity		
Note payable with Unity of Greater New Orleans for $349,998 in three installments dated March 31, 2010, August 18, 2010, and March 1, 2011. Note has an interest rate of 0% per annum. The note is unsecured. The note payable was cancelled upon sale of property owned by GCHP-Canal, L.L.C. The balance was paid in full on January 30, 2012.	-	349,998
GCHP-Scott, L.L.C.		
Forgivable Note Payable – LHFA (1602 Investment funds)		
Note payable until conversion to be forgiven over 15 years beginning December 31, 2011 for $5,301,512, dated March 26, 2010. Forgiveness begins upon issuance of the conversion certificate. Note has an interest rate of 0% per annum. Principal due only upon event of recapture. The note is collateralized by the property owned by GCHP- Scott, L.L.C.	4,948,078	5,301,512
Forgivable Note Payable – City of Baton Rouge (HOME funds)		
Note payable to be forgiven 50% upon construction completion and 50% upon rental of 10 units to low income individuals within 90 days of construction completion for $500,000, of which $0 was outstanding, dated February 1, 2010. $250,000 has been forgiven as of December 31, 2011. Note has an interest rate of 3% per annum in the event of non-forgiveness. Principal and interest due monthly only in event of material non-compliance through January 31, 2030. The note is collateralized by the property owned by GCHP-Scott, L.L.C. On November 17, 2011, this note was assumed by GCHP-Scott, L.L.C. The balance was forgiven in full in March 2012.	-	250,000

(6) Long-Term Debt (continued)

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

	2012	2011
Subsidiary Debt (continued)		
GCHP-Scott, L.L.C. (continued)		
Note Payable - LHFA (NSP Funds)		
Note payable with Louisiana Housing Finance Agency for $1,000,000 dated March 26, 2010. Note bears an interest rate of 2% per annum. Principal and interest are payable monthly commencing April 1, 2012 through April 1, 2031 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP- Scott, L.L.C.	$ 1,000,000	$ 1,000,000
Forgivable Note Payable – LHFA (HOME funds)		
Note payable with LHFA to be forgiven over 20, dated March 26, 2010. $47,500 has been forgiven as of December 31, 2012. Note has an interest rate of 0% per annum. Principal due only upon default under the HOME Affordable Rental Housing Program Agreement. The note is collateralized by the property owned by GCHP- Scott, L.L.C.	452,500	477,500
Note Payable – CAAH		
Note payable with Capital Area Alliance for the Homeless for $430,000, dated March 31, 2010. Note has an interest rate of 4.35% per annum. Principal and interest are payable monthly commencing March 31, 2012 through March 31, 2040 to the extent of net cash flow. The note is collateralized by the property owned by GCHP-Scott, LLC.	384,000	384,000
GCHP-1409 OCH, L.L.C.		
Note Payable – New Markets Investment 58, L.L.C.		
Note payable with New Markets Investment 58, L.L.C. for $5,760,000 dated March 31, 2011. Note is comprised of two tranches: A Tranche for $4,447,000 with an interest rate of 2.22319% and B Tranche for $1,313,000 with an interest rate of 0.38085%. The Note bears interest at a blended rate per annum of 1.80323% payable quarterly beginning July 1, 2011. The note matures March 31, 2051 and is collateralized by the property owned by GCHP- 1409 OCH, L.L.C. and cash held in reserve accounts totaling $1,005,345 at December 31, 2012. The note constitutes a qualified low-income community investment (QLICI) as part of the new market tax credit program.	5,760,000	5,760,000
GCHP-Poly Bar, L.L.C.		
Notes Payable – The Housing Partnership Network, Inc.		
Note payable with The Housing Partnership Network, Inc., a related party, for $846,317 dated April 17, 2012. Note amended on December 13, 2012. Note has an interest rate of 3% per annum paid monthly on the first day of each subsequent month during the term of the note. Principal is due April 17, 2015. This note is collateralized by real estate.	846,317	-

(6) Long-Term Debt (continued)

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

	2012	2011
Subsidiary Debt (continued)		
GCHP-Elysian, L.L.C.		
Forgivable Notes Payable – East Baton Rouge Redevelopment Authority		
Note payable with East Baton Rouge Redevelopment Authority for $841,100, dated April 1, 2012. Note is forgivable five years after maintaining compliance with occupancy requirements. Note has an interest rate of 0% per annum. Principal is due April 1, 2047. This note is collateralized by real estate.	$ 757,000	$ -
Partnership Debt		
GCHP-MLK, L.L.C.		
Note Payable – State of Louisiana, OCD		
Note payable with the State of Louisiana Office of Community Development for $8,101,036, dated March 31, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2012 through March 31, 2046 to the extent of surplus cash. The note is collateralized by the property owned by GCHP – MLK, L.L.C.	7,695,984	1,321,922
Note Payable - LHFA		
Note payable with the Louisiana Housing Finance Agency for $1,723,937, dated March 31, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2013 through May 1, 2046 to the extent of surplus cash. The note is collateralized by the property owned by GCHP – MLK, L.L.C.	1,551,543	452,342
Note Payable - NORA		
Note payable with the New Orleans Redevelopment Authority for $1,700,000, dated March 31, 2011. The note has an interest rate of 0% per annum. Principal is due March 30, 2047. The note is collateralized by the property owned by GCHP – MLK, L.L.C.	1,700,000	1,700,000
Bonds Payable – The Finance Authority of New Orleans and JP Morgan Chase Bank, N.A.		
Construction loan dated March 31, 2011 with The Finance Authority of New Orleans and JP Morgan Chase Bank, N.A. and GCHP-MLK, L.L.C whereby The Finance Authority of New Orleans issued Series 2011 A Revenue Bonds for $7,500,000 to GCHP-MLK, L.L.C. at an interest rate of 3.5% per annum. Interest is paid monthly beginning May 5, 2011. The maturity date was October 1, 2012. The bonds are collateralized by the property owned by GCHP- MLK, L.L.C. The balance was paid in full on October 1, 2012.	-	7,500,000
GCHP- Mid City, L.L.C.		
Note Payable- PNC Bank		
Note payable with PNC Bank for $4,144,000, dated December 7, 2012. Note has a daily LIBOR plus interest rate of 2.5% per annum paid monthly on the first day of each subsequent month during the term of the note. Principal is due December 7, 2014. This note is secured by a pledged deposit account in the amount of $400,000.	283,118	-

(6) Long-Term Debt (continued)

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

	2012	2011
Partnership Debt (continued)		
GCHP- Mid City, L.L.C. (continued)		
Forgivable Note Payable – State of Louisiana, OCD		
Note payable with State of Louisiana, Office of Community Development for $1,400,000, dated December 6, 2012. Note is forgivable five years after maintaining compliance with occupancy requirements. The note has an interest rate of 0% per annum. All outstanding principal shall be due and payable on December 5, 2047. The note is collateralized by real estate.	$ -	$ -
GCHP-One Stop, L.L.C.		
Line of Credit – CHC		
Construction loan with Community Housing Capital in participation with Whitney Bank for $1,500,000, dated July 29, 2010. Note has an interest rate of 7% per annum and is adjustable every 6 months. Interest payments are drawn on the note monthly, starting September 1, 2010. Principal is due at August 1, 2012. The note is collateralized by the property owned by GCHP-One Stop, L.L.C. This loan was paid in full as of 5/17/2012	-	1,428,305
Note Payable – LHFA (TCAP funds)		
Note payable with Louisiana Housing Finance Agency for $1,000,000, dated July 29, 2010. Note has an interest rate of 0% per annum. Principal and interest are payable monthly commencing April 1, 2012 through August 1, 2050 to the extent of surplus cash as approved by the Agency. The note is collateralized by the property owned by GCHP-One Stop, L.L.C.	1,000,000	1,000,000
Forgivable Note Payable – LHFA (1602 Investment funds)		
Note payable until conversion to be forgiven over 15 years beginning December 31, 2011 for $5,503,200, dated July 29, 2010. Forgiveness begins upon issuance of the conversion certificate. Note has an interest rate of 0% per annum. Principal due only upon event of recapture. The note is collateralized by the property owned by GCHP-One Stop, L.L.C.	5,136,318	5,503,198
Note payable – LHFA (NSP Funds)		
Note payable with Louisiana Housing Finance Agency for $1,000,000 dated July 29, 2010. Any draws are at an interest rate of 0% per annum, and principal and interest are payable beginning April 2012 to January 2040 to the extent of surplus cash as approved by the Agency.	1,000,000	716,366
Notes Payable – State of Louisiana OCD		
Note payable with State of Louisiana OCD for $500,000 dated July 21, 2011. Note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2012 through July 21, 2046. This note is collateralized by real estate.	500,000	-

(6) Long-Term Debt (continued)

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

	2012	2011
Partnership Debt (continued)		
GCHP-1610, L.L.C.		
Notes Payable – HOPE		
Note payable with HOPE Community Credit Union for $650,000, dated May 24, 2010. Note has an interest rate of 7.25% per annum. Interest and principal are payable monthly beginning June 24, 2010 through May 24, 2020 in the amount of $5,137 with a final payment of $442,890. The note is collateralized by the property owned by GCHP-1610 OCH, L.L.C and by a pledged deposit account in the amount of $100,000.	$ 609,032	$ 625,858
Total debt	46,486,040	43,155,385
Less current maturities	26,962	2,279,518
Total debt, less current maturities	$ 46,459,078	$ 40,875,867

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

2013	$ 26,962
2014	2,012,719
2015	4,572,478
2016	3,384,031
2017	2,262,485
Thereafter	7,513,978
Loans based on cash flow	14,831,527
Forgivable loans	11,881,859
	$ 46,486,040

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

(7) Commitments and Contingencies

Long-Term Debt-Chase Bank

GCHP, Inc. is contingently liable for a construction loan to The Elysian, LLC. given by the JP Morgan Chase Bank. The loan, dated April 1, 2012, is for $7,800,000, of which $2,473,544 was outstanding at December 31, 2012. The note has an interest rate of 2.95% per annum. Interest is drawn monthly starting April 17, 2012, and principal is due April 1, 2014. The note is collateralized by the property owned by The Elysian, L.L.C.

Tax Credits

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

(8) Conditional Promises to Give

Neighborworks America

GCHP entered into a Memorandum of Understanding (MOU) with Neighborworks America (Neighborworks) in which both are collaborating towards the recovery from the devastation caused by Hurricane Katrina. Under this MOU, Neighborworks will contribute $450,000 to GCHP which is disbursed as follows: $100,000 at start up defined as approval of the subdivision by the City of Hammond Planning Commission; $120,000 upon the sale of the 10th home and demonstration that sale prices are affordable to 120% AMI ("Average Median Income"); $115,000 upon the sale of the 26th home and demonstration that sale prices are affordable to 120% AMI; and $115,000 upon the sale of the 36th home and demonstration that sale prices are affordable to 120% AMI.

Neighborworks will follow through with the contribution under the condition that GCHP will develop the housing subdivision know as Phoenix Square consisting of forty-four affordable new single family residences in the City of Hammond, Louisiana with the earnings target of the AMI listed above. These funds were conditional on the above requirements, and accordingly, were not reflected as a promise to give in the consolidated financial statements. Funding is also subject to federal appropriation.

(9) Functional Allocation of Expenses

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

	2012	2011
Program project services	$ 4,136,814	$ 2,569,807
Supporting services -		
General and administrative	645,873	707,489
Total	$ 4,782,687	$ 3,277,296

(10) Related Party Transactions

Property acquisition

On April 17, 2012, GCHP acquired three buildings and two land parcels from Kaliope, L.L.C. Kaliope, L.L.C. is a two member limited liability company, of which the President of GCHP is a member. The total fair value of the property based on the average of two independent appraisals was $1,552,500. GCHP paid $1,251,000 in cash and recognized a non cash donation of $301,500 as part of contributions, donations, and grants on the statement of activities.

Enterprise Community Partners, Inc.

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

During the year ended 2011, Enterprise CP presented GCHP with an operating grant (MLK Green Grant) in the amount of $50,000, which is recorded on the Consolidated Statements of Activities as grant income. During the year ended 2012 and 2011, Enterprise CP presented GCHP with an operating grant in the amount of $45,000, which is recorded on the Consolidated Statements of Activities as grant income. Included in deferred revenue at December 31, 2012 and 2011 is a $150,000 recoverable grant.

The Housing Partnership Network, Inc.

As described in Note 5, GCHP-Poly Bar, L.L.C. entered into a promissory note with the Housing Partnership Network, Inc (HPN). The President of HPN is a board member of GCHP.

Incentive Management Fees

GCHP entered into an incentive management fee agreement with the Housing Partnership Network, Inc. (Network). Under the original agreement, GCHP shall pay to the Network an annual incentive management fee equal to 50% of the available cash of GCHP up to a total annual payment of $120,000. A subsequent amendment to the original incentive management fee agreement was signed on March 31, 2010. This agreement amended the fee to be 25% of the distributable cash of GCHP. Distributable cash is defined as the fiscal year end audited unrestricted operating and reserve cash balances adjusted for year-end operating accruals in excess of $1.2 million. Operating and reserve cash balances exclude project accounts and employee benefit accounts. The fee is subject to a 6% cumulative, non-compounding annual return based upon a presumed $2 million investment by the Network as of June 6, 2006. The fee is non-accruing year to year unless earned and payable. GCHP accrued a fee of $98,806 and $98,494 for the years ended December 31, 2012 and 2011, respectively.

(11) Noncontrolling Interest

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

	Total	Controlling Interest	Noncontrolling Interest
Balance January 1, 2011	$ 11,825,738	$ 11,350,893	$ 474,845
Excess of revenues over expenses	2,674,864	2,668,338	6,526
Contributions to subsidiaries by noncontrolling members	327,141	-	327,141
Change in net assets	3,002,005	2,668,338	333,667
Balance December 31, 2011	$ 14,827,743	$ 14,019,231	$ 808,512
Excess of revenues over expenses	2,705,295	3,110,133	(404,838)
Contribution to subsidiaries by noncontrolling members	1,616,405	-	1,616,405
Change in net assets	4,321,700	3,110,133	1,211,567
Balance December 31, 2012	$ 19,149,443	$ 17,129,364	$ 2,020,079

(12) Temporarily Restricted Net Assets and Federal Awards

Temporarily restricted net assets are restricted by grantors for specific programs, purposes, or for use in subsequent periods. These restrictions are considered to expire when payments are made. Temporarily restricted net assets are shown in the Consolidated Statements of Financial Position as restricted cash and land. Temporarily restricted net assets are segregated based on the type of market the restriction is for, and as of December 31, 2012 and 2011, respectively, are as follows:

	2012	2011
Hammond market, land	$ 255,042	$ 255,042
New Orleans market, grant receivable	-	220,441
Gulfport/Biloxi market, restricted cash	411,176	436,693
Total received in advance for future operations	$ 666,218	$ 912,176

GCHP participates in a number of state and federally-assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. GCHP management believes that the amount of disallowances, if any, which may arise from future audits, will not be material.

(13) Geographic Concentrations

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

(14) Legal Matters

GCHP is not involved in any legal action arising in the normal course of activities.

(15) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 23, 2013, and determined that there were no subsequent events requiring disclosure except as noted below.

On March 12, 2013, 1854 North Street, LLC (a partnership interest of GCHP) borrowed $5,205,000 from JPMorgan Chase Bank, N.A. for a construction loan on "1854 North Street Project". The note has an interest rate per annum equal to the sum of 2.5% per annum plus the Adjusted LIBOR Rate for a one month interest period paid monthly on the fifth day of each month beginning May 5, 2013 and during the term of the loan. Principal is due at maturity on November 12, 2014.

On March 12, 2013, GCHP borrowed $141,963 from One Mortgage Partners Corp. for funding the "1854 North Street Project". The note has an interest rate of 0% per annum. This note shall be forgiven in its entirety on the 15th anniversary date of project completion, providing no Event of Default has occurred.

On April 11, 2013, GCHP borrowed $1,300,000 from Iberia Bank for funding the GCHP - Spanish Town project that is currently being funded by the Community Housing Capital line of credit which is described in Note 6. The proceeds will be used to reduce the outstanding balance on the line of credit. The note has an interest rate per annum equal to the sum of 2.5% per annum plus the Adjusted LIBOR Rate for a one month interest period paid monthly on the eleventh day of each month beginning on May 11, 2013. Principal is due at maturity on April 11, 2016.

GULF COAST HOUSING PARTNERSHIP, INC.

Single Audit Report

December 31, 2012

Postlethwaite & Netterville

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Gulf Coast Housing Partnership, Inc.

Single Audit Report

December 31, 2012

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

To the Board of Directors and Officers
GULF COAST HOUSING PARTNERSHIP, INC.:

We have audited the consolidated financial statements of Gulf Coast Housing Partnership, Inc. (a nonprofit organization) (GCHP) as of and for the year ended December 31, 2012, and have issued our report thereon dated April 23, 2013. 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.

Internal Control Over Financial Reporting

Management of GCHP is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered GCHP's internal control over financial reporting as a basis for designing our auditing procedures 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 GCHP's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GCHP's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GCHP's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion

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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*.

This report is intended solely for the information and use of the Board and Officers, GCHP's management, and the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
April 23, 2013

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVERCOMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Board of Directors and Officers
GULF COAST HOUSING PARTNERSHIP, INC.:

Compliance

We have audited Gulf Coast Housing Partnership, Inc.'s (a nonprofit organization) (GCHP) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of GCHP's major federal programs for the year ended December 31, 2012. GCHP's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of GCHP's management. Our responsibility is to express an opinion on GCHP's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GCHP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on GCHP's compliance with those requirements.

In our opinion, GCHP complied, in all material respects, with the 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, 2012.

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Internal Control Over Compliance

The management of GCHP is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered GCHP's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the consolidated financial statements of GCHP as of and for the year ended December 31, 2012, and have issued our report thereon dated April 23, 2013, which contained an unqualified opinion on those statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, 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 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 taken as a whole.

This report is intended solely for the information and use of the Board and Officers, GCHP's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
April 23, 2013

Gulf Coast Housing Partnership, Inc.

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2012

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA Number	Grant Number/ Pass-Through Entity Identifying Number	Federal Expenditures	Loan Balance
U.S. Department of Health and Human Services:				
Community Services Block Grant Discretionary Awards	93.570	90EE0872/01	545,387	
U.S. Department of Housing and Urban Development:				
Pass-through program from: Louisiana Housing Finance Agency (LHFA) HOME Investment Partnership Program	14.239	2010-2011 HOME NOFA	1,352,446	
Pass-through program from: Enterprise Community Partners Housing and Urban Development (HUD)	14.252	12SG2083	45,000	
Pass-through program from: Capital Area Alliance for the Homeless Supportive Housing Program (SHP)	14.235	LA0093B6H040800	16,429	
Pass-through program from: Capital Area Alliance for the Homeless Supportive Housing Program (SHP)	14.235	LA0093B6H041101	35,847	
Total Federal Grant Expenditures			$ 1,995,109	
U.S. Department of Housing and Urban Development:				
Pass-through program from: Louisiana Housing Finance Agency (LHFA) HOME Investment Partnership Loan	14.239	LHGP 09-09	$ -	$ 452,500
Pass-through program from: Louisiana Housing Finance Agency (LHFA) Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	RD-18	-	1,000,000
Pass-through program from: Louisiana Housing Finance Agency (LHFA) Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	unknown	1,017,813	1,551,543
Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	OCD #23	6,642,703	7,695,984

Gulf Coast Housing Partnership, Inc.

Schedule of Expenditures of Federal Awards (continued)

For the year ended December 31, 2012

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA Number	Grant Number/ Pass-Through Entity Identifying Number	Federal Expenditures	Loan Balance
U.S. Department of Housing and Urban Development:				
Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	17RHPS1501	1,418,810	587,963
Pass-through program from: East Baton Rouge Redevelopment Authority Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	unknown	841,100	757,000
Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	IG-2010-03	-	500,000
Pass-through program from: Louisiana Housing Finance Agency (LHFA) Neighborhood Stabilization Program (American Recovery and Reinvestment Act)	14.256	RD-13	-	1,000,000
Pass-through program from: New Orleans Redevelopment Authority Neighborhood Stabilization Program (American Recovery and Reinvestment Act)	14.256	2010-NSP2-12	-	1,700,000
Pass-through program from: Capital Area Alliance for the Homeless Supportive Housing Program	14.235	LA0093B6H040800 & LA48B704002	-	384,000
Pass-through program from: Louisiana Housing Finance Agency (LHFA) Tax Credit Assistance Program (TCAP) (American Recovery and Reinvestment Act)	14.258	09(PC)-17	-	1,000,000
Total Federal Award Loans			$ 9,920,426	$ 16,628,990
Total Federal Award Expenditures			$ 11,915,535	

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

Gulf Coast Housing Partnership, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2012

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Gulf Coast Housing Partnership, Inc. (GCHP). The GCHP reporting entity is defined in Note 1 to the consolidated financial statements for the year ended December 31, 2012. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other government agencies.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to GCHP's consolidated financial statements for the year ended December 31, 2012.

3. Relationship to Financial Statements

Federal expenditures of $11,915,535 are reported as follows:

Unrestricted federal grants	$	1,995,110
Long-term debt		8,564,443
		10,559,553
Unrecorded loan expenditures		1,355,982
Total federal expenditures	$	11,915,535

4. Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports, except for the amounts in reports submitted subsequent to December 31, 2012.

5. Notes Payable to Federal Agencies

GCHP – Scott, LLC, a wholly-owned subsidiary of GCHP, received funding under the HOME Investment Partnership Act by entering into a promissory note with the Louisiana Housing Finance Agency for $500,000 dated March 26, 2010. The note is to be forgiven over 20 years beginning December 31, 2011. The note has an interest rate of 0% per annum. Principal is due only upon default under the HOME Affordable Rental Housing Program Agreement. The note is collateralized by the property owned by GCHP – Scott, LLC. The balance of $452,500 and $477,500 was outstanding as of December 31, 2012 and 2011, respectively. Forgiveness of debt of $25,000 was recorded on the loan during the year ended December 31, 2012.

5. Notes Payable to Federal Agencies (continued)

GCHP – Scott, LLC, a wholly-owned subsidiary of GCHP, received funding under the Neighborhood Stabilization Program (NSP) by entering into a promissory note with the Louisiana Housing Finance Agency for $1,000,000 dated March 26, 2010. The note has an interest rate of 2.00% per annum. Principal and interest are payable monthly commencing April 1, 2012 through April 1, 2031, to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP-Scott, LLC. The balance of $1,000,000 was outstanding as of December 31, 2012 and 2011.

GCHP – Scott, LLC, a wholly-owned subsidiary of GCHP, received funding under the Supportive Housing Program by entering into a promissory note with the Capital Area Alliance for the Homeless for $430,000 dated March 31, 2010. The note has an interest rate of 4.35% per annum. Principal and interest are payable monthly commencing March 31, 2012 through March 31, 2040 to the extent of net cash flow. The note is collateralized by the property owned by GCHP – Scott, LLC. The balance of $384,000 was outstanding as of December 31, 2012 and 2011.

GCHP – One Stop, LLC, a subsidiary owned 52% by GCHP, received funding under the Tax Credit Assistance Program by entering into a promissory note with the Louisiana Housing Finance Agency for $1,000,000 dated July 29, 2010. The note has an interest rate of 0% per annum. Principal and interest are payable monthly commencing April 1, 2012 through August 1, 2050 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – One Stop, LLC. The balance of $1,000,000 was outstanding as of December 31, 2012 and 2011, respectively.

GCHP – One Stop, LLC, a subsidiary owned 52% by GCHP, received funding under the Neighborhood Stabilization Program by entering into a promissory note with the Louisiana Housing Finance Agency for $1,000,000 dated July 29, 2010. The note has an interest rate of 0% per annum. Principal and interest are payable annually commencing April 1, 2012 through January 1, 2040 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – One Stop, LLC. The balance of $1,000,000 and $716,366 was outstanding as of December 31, 2012 and 2011, respectively.

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

5. Notes Payable to Federal Agencies (continued)

GCHP – MLK, LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the Louisiana Office of Community Development for $8,101,036 dated March 31, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2012 through March 31, 2046 to the extent of surplus cash. The note is collateralized by the property owned by GCHP – MLK, LLC. The balance of $7,695,984 and $1,321,923 was outstanding as of December 31, 2012 and 2011, respectively. Federal expenditures of $6,374,061 during the year ended December 31, 2012 were incurred under the loan agreement with the remaining balance of $268,641 not yet reimbursed.

GCHP – MLK, LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the Louisiana Housing Finance Agency for $1,723,937 dated March 31, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2013 through May 1, 2046 to the extent of surplus cash. The note is collateralized by the property owned by GCHP – MLK, LLC. The balance of $1,551,543 and $452,342 was outstanding as of December 31, 2012 and 2011, respectively. Federal expenditures of $845,418 during the year ended December 31, 2012 were incurred under the loan agreement with the remaining balance of $172,394 not yet reimbursed.

GCHP – MLK, LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Neighborhood Stabilization Program by entering into a promissory note with the New Orleans Redevelopment Authority for $1,700,000 dated March 31, 2011. The note has an interest rate of 0% per annum. Principal is due March 30, 2047. The note is collateralized by the property owned by GCHP – MLK, LLC. The balance of $1,700,000 was outstanding as of December 31, 2012 and 2011, respectively. Federal expenditures of $1,700,000 during the year ended December 31, 2011 were recognized as loan additions.

GCHP received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for $4,000,000 dated April 1, 2012. The note has an interest rate of 0% per annum. The note is forgivable five years after maintaining compliance with occupancy requirements. All outstanding principal shall be due and payable on April 1, 2047. The note is collateralized by real estate. The balance of $587,963 was outstanding as of December 31, 2012. Federal expenditures of $587,963 during the year ended December 31, 2012 were incurred under the loan agreement with the remaining balance of $830,846 not yet reimbursed.

GCHP –Elysian, LLC, a consolidated subsidiary wholly owned by GCHP, received funding the Community Development Block Grants/State's Program by entering into a promissory note with the East Baton Rouge Redevelopment Authority for $841,100 dated April 1, 2012. The note has an interest rate of 0% per annum. The note is forgivable five years after maintaining compliance with occupancy requirements. Principal is due April 1, 2047. This note is collateralized by real estate. Federal expenditures of $757,000 during the year ended December 31, 2012 were incurred under the loan agreement with the remaining balance of $84,100 not yet reimbursed.

Gulf Coast Housing Partnership, Inc.

Schedule of Findings and Questioned Costs

Year ended December 31, 2012

(1) Summary of Auditors' Results

Financial Statements

The type of report issued on the financial statements:	unqualified opinion
Internal control over financial reporting:	
• Material weakness(es) identified?	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	none reported
Noncompliance material to the financial statements noted?	none

Federal Awards

Internal controls over major programs:	
• Material weakness(es) identified?	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	none reported
Type of auditor's report issued on compliance for major programs:	unqualified opinion
Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133?	none

Major programs:

United States Department of Health and Human Services	
Community Services Block Grant Discretionary Awards	93.570
United States Department of Housing and Urban Development:	
Passed through the Louisiana Housing Finance Agency (LHFA) HOME Investment Partnership Program	14.239
Passed through the Louisiana Housing Finance Agency (LHFA) Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228

Gulf Coast Housing Partnership, Inc.

Schedule of Findings and Questioned Costs

Year ended December 31, 2012

(1) Summary of Auditors' Results (continued)

United States Department of Housing and Urban Development (continued):

Passed through from the Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228
Passed through from East Baton Rouge Redevelopment Authority Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: yes

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards:* **none**

(3) Findings and Questioned Costs relating to Federal Awards: **none**