PARTNERS FOR PROGRESS, INC.

A COMPONENT UNIT OF THE
HOUSING AUTHORITY OF EAST BATON ROUGE PARISH

PROJECT NO. LA48-E000003
BATON ROUGE, LOUISIANA

REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
YEAR ENDED SEPTEMBER 30, 2012

PARTNERS FOR PROGRESS, INC.
PROJECT NO. LA48-E000003

BATON ROUGE, LOUISIANA

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Partners for Progress, Incorporated, HUD Project No. LA48-E000003, a component unit of The Housing Authority of East Baton Rouge Parish, Louisiana as of and for the year ended September 30, 2012, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The Corporation has not presented Management's Discussion and Analysis that Governmental Auditing Standards has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. Supplementary data as listed in the table of contents is presented for the Department of Housing and Urban Development's information and is not a required part of the financial statements.

Supplementary data is the responsibility of management and were derived from and relate directly to the underlying accounting data and other records used to prepare the financial statements. Such 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 data and other records used to prepare the financial statements or to the 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 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 March 22, 2013 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Yeager & Boyd

Birmingham, Alabama
March 22, 2013

Yeager & Boyd

PARTNERS FOR PROGRESS, INC.
PROJECT NO. LA48-E000003

BATON ROUGE, LOUISIANA

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*

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Corporation, as of and for the year ended September 30, 2012, and the related notes to the financial statements, which collectively comprise Corporation's basic financial statements, and have issued our report thereon dated March 22, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as Finding 12-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Corporation's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Birmingham, Alabama
March 22, 2013

Yeager & Boyd

PARTNERS FOR PROGRESS, INCORPORATED
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

ASSETS

Current Assets	
Cash and Cash Equivalents	$ 248,100
Prepaid Costs	5,217
Notes Receivable	67,500
Total Current Assets	320,817
Capital Assets	
Land	370,000
Construction in Progress	169,628
Net Capital Assets	539,628
Other Assets	
Notes Receivable	286,875
Total Other Assets	286,875
Total Assets	$ 1,147,320

See the accompanying notes to financial statements.

PARTNERS FOR PROGRESS, INCORPORATED
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	$ 6,447
Accrued Wages and Payroll Taxes Payable	1,952
Accrued Compensated Absences - Current	3,025
Other Current Liabilities	44,791
Non-capital Debt - Current	33,750
Total Current Liabilities	89,965
Long Term Liabilities	
Long Term Capital Debt	521,128
Long Term Non-Capital Debt	286,875
Accrued Compensated Absences - Long Term	1,786
Other Noncurrent Liabilities	18,500
Total Long Term Liabilities	828,289
Total Liabilities	918,254
Net Assets	
Unrestricted Net Assets	229,066
Total Net Assets	229,066
Total Liabilities and Net Assets	$ 1,147,320

See the accompanying notes to financial statements.

PARTNERS FOR PROGRESS, INCORPORATED
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Operating Revenues		
Operating Grants	$	200,000
Other Revenue		250,961
Total Operating Revenues		450,961
Operating Expenses		
Administrative		190,484
Utilities		10,940
Maintenance and Operations		4,599
General Expense		36,683
Total Operating Expenses		242,706
Operating Income (Loss)		208,255
Increase (Decrease) in Net Assets		208,255
Net Assets, Beginning		20,811
Net Assets, Ending	$	229,066

See the accompanying notes to financial statements.

PARTNERS FOR PROGRESS, INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Cash flows from operating activities:	
Cash Received from Operating Grants	$ 200,000
Cash Received from Other Sources	250,961
Cash Payments for Salaries and Benefits	(101,012)
Cash Payments to Vendors	(119,192)
Net cash provided (used) by operating activities	230,757
Cash flows from non-capital financing activities:	
Payments on advances from affiliates	(63,553)
Principal, interest and fees paid on non-capital debt	(33,750)
Net cash provided (used) by noncapital financing activities	(97,303)
Cash flows from capital and related financing activities:	
Capital Outlay (including change in applicable A/P)	(151,128)
Proceeds from the issuance of capital debt	151,128
Net cash provided (used) by capital & related financing activites	-
Net increase in cash and cash equivalents	133,454
Cash and cash equivalents, beginning of year:	
Cash and Cash Equivalents	114,646
Total cash and cash equivalents, beginning of year	114,646
Cash and cash equivalents, end of year:	
Cash and Cash Equivalents	248,100
Total cash and cash equivalents, end of year	$ 248,100
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating Income (Loss)	$ 208,255
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Change in Prepaid Costs	15,053
Change in Accounts Payable	4,219
Change in Accrued Expenses	3,230
Net cash provided (used) by operating activities	$ 230,757

See the accompanying notes to financial statements.

PARTNERS FOR PROGRESS, INC.
PROJECT NO. LA48-E000003

BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation is a Special Purpose Government engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund, in accordance with GASB Statement 34 paragraph 138.

The Corporation is one program which is accounted for in an enterprise fund, which is presented as the "enterprise fund" in the basic financial statements as follows:

Enterprise Fund – In accordance with the Enterprise Fund Method, activity is recorded using the accrual basis of accounting and the measurement focus is on the flow of economic resources. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This required the Corporation to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Governmental Accounting Standards – The Corporation has applied all applicable Governmental Accounting Standards Board pronouncements as well as pronouncements issued by the Financial Accounting Standards Board on or before November 30, 1989, and those issued after November 30, 1989 except for those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

Cash

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

Prepaid Items

Prepaid Items consists of payments made to vendors for services that will benefit future periods.

Revenue Accounting Policies

Louisiana Housing Finance Authority (LHFA) Grants received for operations, development fees and other miscellaneous operating revenues are shown as operating income.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Capital Assets

Land and Construction in Progress are recorded at cost. The costs of maintenance and repairs are expensed, while significant renewals and betterments are capitalized. Small dollar value minor equipment items are expensed.

NOTE B - REPORTING ENTITY DEFINITION

GASB Statement No. 14 established criteria for determining the governmental reporting entity. Under the provisions of the statement, the Corporation is considered a primary government since it is a special purpose governmental entity that has a separately appointed governing body, is legally separate, and is fiscally independent of other state and local governments. As in GASB Statement 14, "fiscally independent" means that the Corporation may, without the approval or consent of another governmental entity, adopt a budget that is approved by the Board, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, recruit and employ its own personnel, and is responsible for its debts and is entitled to surpluses.

Partners for Progress, Incorporated (the Corporation) is a related not-for-profit Louisiana corporation, which was created as an instrumentality of The Housing Authority of East Baton Rouge Parish (the Authority) to develop low to moderate income housing in the Baton Rouge community.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in *Section 2100 and 2600 of the Codification of Governmental Accounting and Financial Reporting Standards and Statement No. 14 (amended), of the Governmental Accounting Standards Board: The Financial Reporting Entity and Statement No. 39 "Determining Whether Certain Organizations are Component Units.* These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the reporting entity includes the following blended component units:

NOTE B - REPORTING ENTITY DEFINITION - CONTINUED

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

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

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

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

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

Partners for Progress Development Corporation, LLC, Cedar Pointe Development, LLC, Wesley Chapel Development, LLC, Hospital Plaza I, LLC and Colonial Courts I, LLC are considered blended component units of the Corporation because their governing bodies are substantively the same as the Corporation's governing body. The financial activity of the LLC's are consolidated into the Corporations financial statements.

Because the Authority appoints a voting majority of the Corporation's governing body, and the Authority may significantly influence the activities of the Corporation, the Corporation is a component unit of the Authority. Since the Corporation maintains a substantively different governing board than the Authority, and the benefits derived from the services the Corporation provides extend beyond the Authority, the Corporation is considered to be a discrete component unit of the Authority and the financial activity of the Corporation is reported separately in the financial statements of the Authority. The organization's fiscal year end is September 30.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C - CASH AND INVESTMENT DEPOSITS

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

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

The Corporation's cash and cash equivalents consist of cash held in an interest bearing and a non-interest bearing checking account, totaling a book balance of $248,100 and bank deposit balance of $297,285. As of September 30, 2012, the Corporation's bank deposits were FDIC insured.

All investments are carried at cost plus accrued interest, which approximates market. The Corporation had no realized gains or losses on the sale of investments. The calculation of realized gains or losses is independent of a calculation of the net change in the fair value of investments.

NOTE D – SIGNIFICANT ESTIMATES

These financial statements are prepared in accordance with generally accepted accounting principles. The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to depreciation and useful lives of capital assets and doubtful collection allowances against notes receivable valuations. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

NOTE E – RISK MANAGEMENT

The Corporation is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a component unit of the Authority, the Corporation is covered by the Authority's insurance policies. The Authority carries commercial insurance for all risks of loss, including workman's compensation and employee health and accident insurance. The Corporation, through the Authority, has not had any significant reductions in insurance coverage or any claims not reimbursed.

NOTE F – CONCENTRATION OF RISK

The Corporation receives significant funding from the Louisiana Housing Finance Agency (LHFA). These grants are subject to modification by LHFA depending on the availability of funding.

NOTE G – RELATED PARTY TRANSACTIONS

Developer Fees and Notes Receivable

Through the Corporation's wholly owned subsidiary entities (Partners for Progress Development Corporation, LLC, Cedar Pointe Development, LLC, Wesley Chapel Development, LLC, Hospital Plaza I, LLC and Colonial Courts I, LLC) the Corporation has earned developer fees from each of the Partnerships for overseeing the construction and development of three apartment complexes and two townhouse communities. The Corporation, through its subsidiary entities, has agreed to pay 75% of the outstanding Brookstown and Cedar Pointe developer fee receivable balances to the Brookstown and Cedar Pointe project consultants upon receipt from the partnerships. The Corporation has agreed to pay 96.25% of the outstanding developer fee receivable balances due from EBRPHA Development 1, LP and EBRPHA Development 2, LP to the project sub-developer and the Authority. During the fiscal year, the Corporation received net developer fees in the amount of $54,557. As of September 30, 2012, the outstanding balances of the developer fee receivables due from the five partnerships amount to $2,953,562. Upon receipt, $396,893 of this amount is due to the Brookstown and Cedar Pointe project consultants, $1,359,206 is due to the EBRPHA Development 1, LP and EBRPHA Development 2, LP sub-developer, and $179,895 is due to the Authority. Due to uncertainties regarding collectability, Corporation management has elected to reserve the entire amount of the receivables, and to recognize income as funds are received.

During fiscal year 2011, the Corporation relocated its tenants from its Wesley Chapel Apartments building and discontinued its rental operations. In September 2011, the Corporation leased their land, buildings and improvements to Wesley Chapel Development, LP, under a 99 year capital lease. As compensation for the lease, the partnership entered into an agreement with the Corporation in which the partnership has agreed to fund the principal payments on the Corporation's existing loans from the City of Baton Rouge, in the amount of $354,375, all of which is an outstanding receivable of the Corporation as of September 30, 2012. As additional compensation for the lease, the corporation entered into two deferred notes receivable with the partnership totaling $900,000. Due to uncertainties regarding collectability, Corporation management has elected to reserve the entire amount of each of the deferred notes receivable, and to recognize income as funds are received.

Other Related Party Transactions

The Corporation has entered into a management agreement with the Authority, for the Authority to provide administrative and management services to the Corporation. During the fiscal year, the Corporation incurred $54,422 of management fee expense to the Authority. In managing the operations of the apartment complex, the Authority pays certain operating expenditures on behalf of the Corporation. As of fiscal year end, the Corporation owed the Authority $44,791.

NOTE H – NOTES PAYABLE

In November of 2000, the Corporation issued two non-interest bearing CDBG Home Loan Program notes payable of $504,000 and $171,000 to the City of Baton Rouge, for the purchase and rehabilitation of the Wesley Chapel project. The notes are secured by a subordinate lien on the Wesley Chapel property and are payable in equal monthly installments through March 2022. The outstanding balances as of September 30, 2012 were $239,400 and $81,225. Future projected payments on both loans are as follows:

	Principal	Balance Due
2013	$ 33,750	$ 286,875
2014	33,750	253,125
2015	33,750	219,375
2016	33,750	185,625
2017	33,750	151,875
2018 - 2022	151,875	-
	$ 320,625	$ -

The Corporation entered into a loan agreement, effective July 1, 2010, with the City of Baton Rouge in the amount of $1,475,000 to fund infrastructure costs of a housing development known as Copper Oaks Subdivision, on land the Corporation purchased in Baton Rouge. The development will consist of forty, single family homes. Infrastructure development began during fiscal year 2012. The loan agreement stipulates that a minimum of eleven of the homes must be sold to low-moderate income families who satisfy the HOME Investment Partnership Act federal criteria, and construction must be complete by July 1, 2015. Interest payments on the principal balance are not required as long as the Corporation administers the home-ownership program in accordance with the loan agreement. The loan is secured by the Copper Oaks property. As of September 30, 2012, the outstanding balance of the loan was $109,883.

In November of 2011, the Corporation issued a promissory note to Greenwell Land Acquisitions, LLC (GLA, LLC) in the amount of $370,000 to purchase land from GLA, LLC, on which the Subdivision will be developed. The note matures on December 31, 2014, bears interest at 6% annually, and is secured by the purchased land. During the fiscal year, the Corporation capitalized $18,500 of interest costs on the note, and the outstanding principal balance on the note as of September 30, 2012 was $370,000.

Additionally, the Corporation entered into a Memorandum of Understanding Agreement (the Agreement) with Copper Oak Partners, LLC (COP, LLC), the subdivision's developer, in which COP, LLC agreed to advance certain construction costs to the Corporation until the homes are constructed and sold. Upon the sale of each home, the Corporation will reimburse COP, LLC for the applicable construction advances. As of September 30, 2012, the outstanding payable balance under the Agreement was $41,245.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE H – NOTES PAYABLE

Long-term liability activity for the year ended September 30, 2012, applicable to the Corporation, was as follows:

	October 1, 2011 Balance	Increase	Decrease	September 30, 2012 Balance	Due Within One Year
Notes Payable	$ 354,375	$ 479,883	$ 33,750	$ 800,508	$ 33,750
Construction Costs Payable - Non-current	-	41,245	-	41,245	-
Interest Payable - Non-current	-	18,500	-	18,500	-
Accrued Compensated Absences	2,022	4,231	1,442	4,811	3,025
Less: Current portion	(35,772)			(36,775)	
Long Term Liabilities	$ 320,625			$ 828,289	$ 36,775

NOTE I – CAPITAL ASSETS

A summary of the Corporation's Capital Asset balances and activity, for the year ended September 30, 2012 is as follows:

	October 1, 2011 Balance	Additions	Transfers & Deletions	September 30, 2012 Balance
Land	$ -	$ 370,000	$ -	$ 370,000
Construction in Process	-	169,628	-	169,628
Total Assets not being Depreciated	-	539,628	-	539,628
Buildings and Improvements	-	-	-	-
Furniture and Equipment	-	-	-	-
Total Capital Assets	-	539,628	-	539,628
Less Accumulated Depreciation				
Buildings and Improvements	-	-	-	-
Furniture and Equipment	-	-	-	-
Net Book Value	$ -	$ 539,628	$ -	$ 539,628

See Note H for additional information regarding the Corporation's capital asset additions.

NOTE J – COMMITMENTS AND CONTINGENCIES

The Corporation is the sole member of Wesley Chapel Development, LLC. Wesley Chapel Development, LLC is the general partner of Wesley Chapel Development, LP. In September 2011, Wesley Chapel Development, LP obtained a construction loan from Home Federal Bank for an amount up to $6,500,000 to facilitate the rehabilitation of an eighty-two unit apartment complex for low to moderate income families known as Wesley Chapel Apartments. The note is secured with a mortgage on the leasehold interest in the property and improvements, and an assignment of rents. As of March 22, 2013, the principal balance owed on the note was $6,500,000. In September 2011, Wesley Chapel Development, LP obtained an additional loan from the Louisiana Housing Finance Agency (LHFA) for $1,000,000. The note is secured with a mortgage on the leasehold interest in the property and improvements, and an assignment of rents. As of March 22, 2013, the principal balance of the note was $1,000,000. The Corporation has guaranteed payment of the notes to Home Federal Bank and LHFA. In the event that the partnership defaults, the loans could become a liability of the Corporation.

The Corporation is the sole member of Hospital Plaza I, LLC. Hospital Plaza I, LLC is the general partner of EBRPHA Development 1, LP. In January 2012, EBRPHA Development 1, LP obtained a construction loan from Capital One Bank for an amount up to $5,530,000, to construct a townhouse community for low to moderate income families. In January 2012, EBRPHA Development 1, LP obtained an additional loan from The East Baton Rouge Redevelopment Authority (The EBRRA) for an amount up to $500,000. The notes are secured with a mortgage on the leasehold interest in the property and improvements, and an assignment of rents. As of March 22, 2013, the principal balance owed on the Capital One loan was $4,873,372, and the principal balance owed on the EBRRA loan was $500,000. The Corporation has guaranteed payment of the loans to Capital One Bank and The EBRRA. In the event that the partnership defaults, the loans could become a liability of the Corporation.

The Corporation is the sole member of Colonial Courts I, LLC. Colonial Courts I, LLC is the general partner of EBRPHA Development 2, LP. In January 2012, EBRPHA Development 2, LP obtained a construction loan from Capital One Bank for an amount up to $5,472,000, to construct a townhouse community for low to moderate income families. In January 2012, EBRPHA Development 2, LP obtained an additional loan from The East Baton Rouge Redevelopment Authority (The EBRRA) for an amount up to $500,000. The notes are secured with a mortgage on the leasehold interest in the property and improvements, and an assignment of rents. As of March 22, 2013, the principal balance owed on the Capital One loan was $4,871,102, and the principal balance owed on the EBRRA loan was $500,000. The Corporation has guaranteed payment of the loans to Capital One Bank and The EBRRA. In the event that the partnership defaults, the loans could become a liability of the Corporation.

NOTE K – SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through March 22, 2013, the date the financial statements were issued.

PARTNERS FOR PROGRESS, INC.
PROJECT NO. LA48-E000003

BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

SEPTEMBER 30, 2012

Section I: Summary of Auditor's Results:

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified	
Internal Control over financial reporting:		
Are material weaknesses identified?	_X_ Yes	___ No
Are significant deficiencies that are not considered to be material weaknesses identified?	___ Yes	_X_ None Reported
Is noncompliance that could have a material effect on the financial statements identified?	___ Yes	_X_ No

FEDERAL AWARDS

Internal control over major programs:	
Are material weaknesses identified?	N/A
Are significant deficiencies that are not considered to be material weaknesses identified?	N/A
Type of report issued on compliance with requirements applicable to each major program:	N/A
Are there any audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	N/A

Identification of major programs:

Name of Federal Program	CFDA No.
None	

Dollar threshold used to distinguish between type A and type B programs: N/A

Is the auditee identified as a low-risk auditee? N/A

PARTNERS FOR PROGRESS, INC.
PROJECT NO. LA48-E000003

BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

SEPTEMBER 30, 2012

Section II: Financial Statement Findings:

Prior Year Findings:

None

Current Year Findings:

Finding 12-01 - Internal Control over Financial Reporting

Criteria:

Financial statements should be prepared in accordance with generally accepted accounting principles (GAAP). Periodic reviews should be performed to ensure all transactions relating to the fiscal year have been recorded in the correct account and entered in the correct amount.

Condition and Cause:

During the audit period, the Corporation purchased Land for $370,000 and financed the Land purchase with a Note Payable of $370,000. Neither the Land, nor the Note Payable was recorded in the Corporation's general ledger, or within the Corporation's Component Unit reporting column in the Authority's Financial Data Schedule (FDS) submitted to the Department of Housing and Urban Development.

The understatement of Capital Assets and Notes Payable appears to have resulted from a lack of communication between management responsible for the operations of the Corporation, and the accounting management and staff responsible for financial reporting.

Recommendation:

We recommend the Corporation implement and execute a strengthened internal control system over financial reporting to include effective communication and accurate reporting of the Corporation's financial transactions, including non-cash transactions.

Reply and Corrective Action Plan:

The Corporation's Chief Executive Officer has assumed the responsibility of implementing and executing a strengthened internal control system over financial reporting and expects the deficiencies which led to this finding to be resolved by June 30, 2013.

PARTNERS FOR PROGRESS, INC.
PROJECT NO. LA48-E000003

BATON ROUGE, LOUISIANA

SEPTEMBER 30, 2012

Certificate of Officers

We hereby certify that we have examined the accompanying financial statements and supplemental data of Partners for Progress, Inc. Project No. LA48-E000003 and, to the best of our knowledge and belief, the same is complete and accurate.

Officers:

Richard L. Timmons (signature) 4-4-13

Signature Date

CFO

Title

Corporation Employer Identification Number 31-1740153

PARTNERS FOR PROGRESS, INC.
PROJECT NO. LA48-E000003

BATON ROUGE, LOUISIANA

SEPTEMBER 30, 2012

Certificate of Management Agent

I hereby certify that I have examined the accompanying financial statements and supplemental data of Partners for Progress, Inc. Project No. LA48-E000003 and, to the best of my knowledge and belief, the same is complete and accurate.

Agent:

Signature

Date 4-4-13

CEO
Title

Corporation Employer Identification Number 72-6000634